

The

Management Review

THE MONTH'S
BEST IN
BUSINESS
READING . . .

Personnel
Production
Office Management
Marketing
Finance
Insurance
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Books of The Month

OCTOBER, 1951

Among the Features

What Do You Mean by That Remark?

Reading for Profit

Taking the Mystery out of Communications

Emotions Can Be Killers

Mechanization in the Office

Developing a Work Simplification Program

Solving the Problem of Substitutes

Noise Reduction Improves Productivity

The Selection of Sales Engineers

*Seven Ways to Houseclean Today's Mailing
Lists*

The Accountant's Role in Labor Relations

*Effects of the Excess-Profits Tax on Company
Operations*

The Extent of Under-Insurance

The Ideal Insurance Agent

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AMERICAN MANAGEMENT ASSOCIATION

330 West 42nd Street

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M. J. DOOHER, *Editor*; VIVIANNE MARQUIS, *Associate Editor*

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General Management

WHAT DO YOU MEAN BY THAT REMARK?

FOR OUR understanding of thought, we owe much to John Locke, 17th century English philosopher, who pointed out that words have no natural, inherent meaning, but only those meanings that are given them by men. Today, writers about management seem especially disposed to forget this truth.

In fact, it is not extravagant to say that lack of a common language is the greatest hindrance to making management the science it ought to be.

What, for example, is the accepted distinction (if there is one) between "management" and "organization"? All will agree, no doubt, that managers must organize their enterprises, but when they do so, are they employing the science of management or a collateral science of organization?

This is no mere matter of a rose by any other name. He who has once smelled a rose and thereby acquired a taste for it needs a name by which to inquire for it when he wants to renew his experience. And he who would inform himself about management needs a name so that he may direct his reading and his discussion. If he seeks knowledge of "management," he will not want to find himself reading about "organization" (if that is a different thing). Nor will he want to miss reading about "management" because an article is labeled as "organization."

This indefiniteness of name is only the beginning of confusion. It is worse when we try to detect the ideas for which more particular names are used.

"Line" and "staff" are terms of reason-

ably accurate meaning—in their military use. However, they have been imported into industry with very little attempt to define them. In military use, "line" refers to the combat arm; "staff" means everything else. In industry, this analogy fails. If an analogy must be forced, however, then sales is the analogue of combat, because it is the culminating act of industry and because at this point industry is in competition. If this is so, then production must be "staff," just as supply is "staff" in military terminology. But in industry, "line" refers to production. Similarly, what about purchasing, which is often classed as "staff"? Yet purchasing is one step in the industrial sequence as clearly as fabrication is another step.

Often, "line" is said or implied to mean the same as "operating." But here is another term of very doubtful meaning. According to the dictionary, to "operate" means to perform a work or labor; therefore, everybody in industry "operates" in the customary sense of the word. When synonymous with "line," however, this word must mean something different. "Staff," in other words, does not "operate." Does the personnel man "operate" when he employs personnel? Does the accountant "operate" when he records transactions? The more one reads, the less confidence one has in trying to answer such questions.

Sometimes "planning" is used in so broad a sense that it seems to acquire a substance of its own quite apart from particular things to be planned. The word "communication" has, in some uses, under-

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gone an apotheosis that quite escapes this writer and leaves him vaguely wondering whether, instead of stepping across the hall to talk to an associate, he should write him a letter. Often it is impossible to tell whether "control" means an exercise of restraint or a standard of comparison—or perhaps something else.

These are the disabilities of language that Locke made so clear; or, rather, they reflect the failure of language as a medium of intelligence when the speaker and the hearer do not give the same meanings to words.

There are, of course, two accepted means of forestalling this failure: (1) A writer may stipulate a meaning for the purpose of his writing, in which case he makes proper provision against being misunderstood. (2) If he does not stipulate its meaning, a word is presumed to be used in its dictionary sense. (With this goes the obligation, naturally, of stipulating which dictionary sense if there is more than one.)

But these resources are not too satis-

—ALVIN BROWN. *Advanced Management* (Society for Advancement of Management, 84 William Street, New York 38, N. Y.), August, 1951, p. 6:3.

factory. It is inconvenient to be defining one's terms every time one uses them; and, besides, this right, freely indulged, would invite a confusion of tongues. Nor can the definitions given by the dictionary be called serviceable; if they were, we probably should not be in our present predicament. The dictionary meanings are often too general for the purposes of a particular science.

Let us conclude, then, that one of the most important means for advancing our knowledge of management would be a standardized vocabulary of management. If "management" is an inclusive term, then the vocabulary should include those terms used by constituent sciences: "organization," "personnel," "administration," "leadership"—whatever they be. If some of these subjects are considered outside the scope of management, then the vocabulary should deal with management and its related sciences. Just what relationship is to be conceived as existing among these subjects is not nearly so important as having a settled relationship.

Important Obligations of Leadership

AT A RECENT MEETING of General Foods Corporation executives, Clarence Francis, Chairman of the Board, outlined what he considers the "important obligations of leadership."

These obligations are listed below:

A breadth of vision which transcends technical competence and which will develop an appreciation of trends affecting our national and corporate welfare.

We must be resourceful . . . try to anticipate events.

We must determine to delve into causes.

We must have a healthy dissatisfaction with existing conditions.

We must have an urge to improve and invent.

We must have the ability to inspire men to work with faith.

We must have a belief in honesty, integrity, and forthrightness.

We must have humility.

How trite these qualities sound, but they are basic in a society where moral and spiritual values prevail.

—*Manpower Management* (Department for Personnel Administration, General Foods Corp.)

READING FOR PROFIT

ASK 50 ECONOMISTS at any given time what's ahead for business, and it's a safe bet you'll come up with a hung jury. You may get a majority to agree on the drift, but the odds are against a unanimous verdict.

If the experts can't agree, then how do top management men arrive at sober decisions after wading through the heaps of reading matter that reach their desks? In a recent survey, in which this question was put to business men in over twenty cities, not one said he relied on a single opinion-maker or publication. For most, it was many ideas and opinions. Top management's job: to decide who's right.

Practically all companies receive several magazines, trade papers, capsule-size business letters, association reports, and economic opinion sheets. In Detroit, one auto company estimated that it subscribed to at least 300 publications. Another said it tried to buy—and use—everything published that could possibly affect its business.

Most big companies have had to do something to systematize this problem of gathering information. As a result, there's a growing trend toward establishing one man, usually an economist, as a catch-all for business information. His job is to keep his eyes open and route material where it should go. The top man of a big Ohio company put it this way: "No company can get very far with the vast amount of information available unless it has a professionally trained and experienced economic analyst who's on the look-

out for trends and who can interpret statistics."

There's nothing new about staff economists. Many companies, for example, Sears Roebuck & Co., have had them for years.

Then, too, there are a good many firms hiring professional economists and giving them the title of vice president or controller.

In large corporations, economic staffs may run as high as 50 people who do nothing but check business news, analyze statistics, and write weekly or monthly reports for the front office. Management itself follows the news in non-statistical publications.

In one case, a company subscribes heavily to business reports and magazines. It has its own economist, plus an assistant to the president, study them for trends and make separate reports to the top brass.

As a double check, an Ohio manufacturer employs an economist and a market research director who report to the board at alternate meetings (usually they agree).

Naturally, smaller organizations depend more on top management's own analysis. Though some employ outside economic advisors, the majority work out their own ideas.

One thing is common to all top managements, however: They insist that no one makes up their minds for them. That's their biggest job, as they see it. Even their own economists sometimes get short shrift.

—*Business Week*, September 1, 1951, p. 60:2.

NOT TO KNOW what has been transacted in former times is to continue always a child. If no use is made of the labors of past ages, the world must remain always in the infancy of knowledge.

—Cicero

THE MANAGEMENT COMMITTEE: CO-ORDINATOR OF POLICIES AND PRACTICES

IN MANY CASES, a business organization is the lengthened shadow of one man. In most instances, however, responsibility for the various divisions of the company's activities needs to be delegated to executives who by their talents, experience, and judgment are specialists in their fields. It is in co-ordinating the thinking and activities of these executives that the management committee has its place.

That the management committee is a practical organization is evidenced by a 10-year service record at Lukens Steel Company through a period when management's normally difficult decisions were complicated not only by prospects of partial or total mobilization, but also by war and post-war situations. Though such a committee has its limitations, its advantages in Luken's experience far outweigh them.

The make-up of the Lukens Management Committee consists of the vice president in charge of operations as chairman (appointed by the president), the vice president in charge of sales, the company treasurer, the controller, the secretary, the director of industrial relations, the purchasing agent, and the general works manager.

The experience of the Committee has demonstrated five major advantages: First, it offers consultive supervision in which two or more heads are better than one. In addition, it results in uniformity of direction throughout the organization, helping to provide co-ordination of long-term and short-term programs toward established objectives, and allowing flexibility for emergency situations without interfering with basic schedules. Finally, it gives executives the benefit of broader experience and interchangeability of management personnel.

Over-all, the Management Committee at Lukens has been primarily an advisory body. Line responsibility of division heads is strictly adhered to for such decisions as affect one division alone. Decisions affecting more than one division are developed by the Committee. When opinion in the Management Committee is divided, the president, who sits as an ex-officio member, "calls the shot" after due deliberation of the problem.

Free discussion by members of this group concerning general policies and practices before they are established makes for better understanding, improved co-ordination, and close cooperation between divisions and departments of the company.

Every Monday morning, as regular as clock-work, the committee members sit down to discuss many things of importance. Meeting weekly, the committee can review vital matters frequently and without too much delay. Subjects regularly reviewed include current operating and sales performances, the company's financial position, cost developments, proposed capital manufacturing expenditures, current manufacturing inventories and procurement problems, customers' claims or complaints and their handling, and requests for charitable or civic donations. In addition, each committee member reviews important projects either contemplated or under way in the departments under his supervision.

When time permits, discussion continues on to other matters which may properly be brought before the Management Committee. Such topics include progress of the company's continuing plan of cost improvement, company patent applications, any developments concerning pensions or social insurance, consideration

of annual or semi-annual reports from divisions, handling of quarterly reports to stockholders and employees, public relations projects, division budgets, proposed legislation likely to affect the company, research and development engineering projects, litigation involving the company, important contracts and agreements, plant visitations, and other projects involving health and welfare of employees.

This seems like a multitude of things to be considered in the short space of a four-hour meeting. The work is accomplished by brief reports after which action is taken where substantial agreement can be reached by Committee members.

On some specific matters, sub-committees are appointed to study the situation and to report back their findings to the main body.

When a recommendation is made by the Management Committee to the Board

of Directors, the proposal carries considerably more weight than if it were submitted by an individual executive. This is because the directors know that the recommendation has the basic appraisal and approval of Management Committee members representing all the company's important divisions.

As we see it, there are three main disadvantages which might be ascribed to operation of a management committee. The opportunity exists to share, but at the same time to diffuse and possibly cloud what otherwise would be a clear-cut responsibility. There is also the possibility of slower decisions and action. Nevertheless, we firmly believe that the advantages far outweigh the disadvantages, and that the former will become increasingly apparent as management faces new and more difficult conditions all along the line.

—C. L. HUSTON, JR. *Dun's Review*, Vol. 59, No. 2275, p. 16:3.

The Club That Fights for Frontiers

THE YOUNG PRESIDENTS' ORGANIZATION, founded last year, is a unique group of men—they have all been elected presidents of companies before reaching their 39th birthday. In addition to this requirement for membership, their company must either be an industrial corporation with annual sales of at least \$1,000,000 and 100 or more employees, or a service concern with an annual turnover of \$2,000,000 up and 50 or more employees.

Twenty-five per cent of the Y.P.O.'s 125 members inherited their business and positions, but the rest made it by sheer merit. Chief purpose of the club is to preserve free enterprise—to promote the incentive state as opposed to a governmental welfare state. Toward this end, it has launched a series of forums for young executives to explore other means for perpetuating the opportunities that made possible their own success.

—STANLEY FRANK in *Nation's Business* 8/51

Defense Contracts to Small Business Increasing, Study Shows

THE PREDOMINANCE of orders for aircraft and heavy ordnance in the present emergency is resulting in a different geographic—and company—distribution of government contracts from that of World War II, according to the Conference Board.

While the volume of prime government contracts placed with the major companies is more frequently discussed, small firms are also participating in munitions

work—and at an increasing rate. They are receiving orders both directly from the government and through subcontracting.

While it is difficult to accumulate information on the share of war contracts going to small business, John D. Small, chairman of the Munitions Board, has stated that the dollar volume of work subcontracted to small business is "many times" the volume going to them through direct contracts. The extent of subcontracting is illustrated in a recent study of 863 Air Force prime contracts, totalling about \$5 billion. It was found that approximately 75 per cent of the subcontracts were awarded to companies employing less than 500 persons.

Prime contracts to small business have been accounting for an increasingly larger slice of total military purchases. In April, 1951 (latest data available), their share was 28 per cent of the \$2.9 billion awarded all companies. This compares with 26 per cent in March, 22 per cent in February, and 17 per cent in January. In World War II, small companies received about 22 per cent of all prime contracts.

Distribution by states of \$21 billion prime munitions contracts—which represent the bulk of the awards made following Korea—shows that most of the defense orders are again being placed in the established industrial centers. Two states—New York and California—have nearly a third of all orders for military supplies and equipment. If Michigan, Ohio, and Indiana are added, the five states have over half of the total. The leading 10 states (that is, combining these five states with the next five in the array—Connecticut, Illinois, New Jersey, Pennsylvania, and Massachusetts) hold three-quarters of all prime contracts.

Is Industry Neglecting "Pure" Research?

AMERICAN INDUSTRY is in such a rush to turn out new "gadgets" for the needs of today that it is neglecting to accumulate the "capital" it will be needing 25 to 30 years from now in terms of fundamental research, according to leading scientists, both foreign and American, attending the Twelfth International Congress of Pure and Applied Chemistry.

These scientists concede the importance of a shift of attention to the maintenance of superiority in weapons of offense, but they doubt whether attention to pure or fundamental scientific research should be sacrificed to the development of new "non-essential" civilian "gadgets," as they call them.

Also, they see a danger in the present trend toward greater and greater specialization in chemistry, as well as in other branches of science. They deplore the dwindling of the number of outstanding men in this country who have developed knowledge in a number of different fields—the type of men who often are in the forefront in inventive achievements.

America has leaned heavily in the past on findings in "pure" science in foreign countries. But countries abroad are being forced by economic necessity to increase their attention to applied science. If present trends away from "pure" science, such as lessening of activities at universities and skimping on funds for "foundations, etc.," continue, the price will be lack of new building blocks for future scientific progress.

—DWIGHT MOODY in *Journal of Commerce* 9/13/51

AMA MIDWINTER GENERAL MANAGEMENT CONFERENCE

The Midwinter General Management Conference of the American Management Association will be held on Monday, Tuesday, Wednesday, and Thursday, January 14-17, at The Biltmore Hotel, Los Angeles.

SEE THE PEOPLE

DURING THE PAST FIVE YEARS, there has been more talk about employer-employee communication—and certainly more done about it—than in any similar period. However, a great deal remains to be done to stimulate further understanding—much more than many people in communications realize. Are there any rules? There are no rules, but here is one suggestion that could alter the whole course of communications if management followed it: *See the people*. And here are ways and means:

See the people, like the midwest board chairman who interviews three employees chosen at random every week and gets them to talk about the business.

See the people, like the small company president who sets aside one evening a week for dinner with a different group of employees. He's been at it now over a year, and he wouldn't miss such a meeting for the world.

See the people, like the company president who personally congratulates every new member of the company's 25-Year Club in his office, has a picture of the occasion taken, autographs the picture and has it framed, and presents it as a personal gift to the employee.

See the people, like the official who each year gives a friendly little talk before the Wives' Club, composed of the wives of company employees; like the executive who heard an employee's home had burned in the night and who hurriedly dressed and raced to the scene to help on the same basis as the employee's closest friend. (This executive's human concern for an employee in trouble will never be forgotten so long as that family lives.)

See the people, like the president who

not only reads reports of supervisory, safety, and other meetings, but who makes it a point to sit in on at least one of these plant conferences each week.

See the people, like the industrial editor who mingled with his readers and had their confidence; when a rumor started mushrooming and threatened a strike, he pulled a page from his magazine and quieted the rumor with an authoritative explanation of the situation; like the young woman in charge of plant bulletin boards who stopped a dangerous report from spreading because she heard it in time and was able to get a calming notice on the boards.

See the people, like the works manager who takes each foreman to lunch on his birthday; like the company that underwrites the cost of an annual dinner for employees at which the immediate foreman acts as host for his own group.

See the people, like the company official who gets a hospital list once a week and sets aside the time to see every ailing employee. (And you can stack it up against a dozen wage increases.)

See the people, like the company publication editor who spurned an office in company headquarters in favor of a place out in the plant, close to the folks he was writing for; like the personnel man who handles the plant manager's newsletters and is able to appeal to his readers because he's out there with them all the time.

"See the people" may appear to be an oversimplified prescription for the ailments of management. *It won't cure, but it will correct.* When you see the people, you begin to understand the people, and they begin to understand you. *There's little point in building a bridge of understanding if people won't walk across it.*

—*The Score* (Newcomb & Sammons, Chicago, Ill.), August 15, 1951.

Population Growth Has Experts Stumped

THE EXPERTS have been stumped again. Population in the United States is still rising fast, according to *Engineering News-Record*.

Population has grown an estimated 3.6 to 3.7 million in the 17 months since Census Day, 1950. This comes on top of a huge increase during the forties and puts the total population over 154 million, some 23 million higher than it was in 1940.

Back around 1940, the experts were saying that the population was beginning to level off, that the rate of growth would be reduced drastically during the next couple of decades. With this forecast in mind, economists and business men began to discount population growth as an important factor behind future expansion of industry. But their thinking will have to be revised, the magazine says. Population grew only 7.2 per cent in the 30's, but 14.5 per cent in the next 10 years. And it's still going up, at a rate that would increase the population by another 19 per cent if it were maintained between now and 1960, bringing the total to 180 million.

The growth has already been felt in some fields of construction. Pressure from growing families was one force behind the postwar boom in housing, which in turn increased needs for sewers, streets, and other public and private facilities. Rising enrollments forced communities to make ever greater additions to school-building programs.

These are the early effects of the growth in population. But the greatest effects will come in the long run when today's children become adults.

A Century of Productivity

DURING the last 100 years—

Annual output of goods and services and the use of machine power have become 30 times greater.

Average hourly production per worker has increased five times.

Real wages have gone up three and one-half times.

Average work week has been cut from 70 hours down to 40 hours.

Today more people are making machinery than were employed in all manufacturing in 1850.

Economists cite three main reasons for this progress: the use of machine power; the introduction of new methods and machines; the development of new skills and the urge to produce.

—*Management Information* (Elliott Service Co., 30 N. MacQuesten Parkway, Mount Vernon, N. Y.) 9/10/51

How Taxes Reduce Executive Mobility and Incentive

HIGH TAXES have reduced the mobility of the American executive, according to Professor Thomas A. Sanders of the Harvard Graduate School of Business Administration.

In a recent report,* Professor Sanders reviews the results of a study which he made on the behavior of executives under high tax conditions. He concludes from the assembled information that taxes and retirement plans tend to "freeze" many executives in their jobs and bring about subtle changes in their ambition and initiative.

However, Prof. Sanders declares that the average executive still puts a full

* *Effects of Taxation on Executives* (Graduate School of Business Administration, Harvard University, 1951) 229 pages. \$3.25.

measure of effort into his job—principally because of pressure and for other non-profit reasons.

The increased taxes paid by executives, he contends, come largely from that portion of the executive salary which previously had been used for optional purchases or as venture capital. Thus the remainder is becoming more and more earmarked for personal and family obligations which are regarded as "musts."

Information in his report is based largely on depth interviews with 125 executives in 30 different industries, and with 25 professional men who serve as consultants to executives.

Major findings include the following:

1. Taxes are directly responsible for the deliberate withholding of a certain amount of work and effort, chiefly among owners of businesses and one-man enterprises.
2. Many executives have refused to accept promotions in their own companies or advantageous offers from other organizations when the changes would mean greatly increased responsibility and relatively little increase in net income.
3. In a substantial number of cases, business executives have declined to accept additional business for their companies because the additional profit after taxes was regarded as inadequate.

—Advertising Age 7/16/51

Also Recommended • • •

INDUSTRY SHIFTS ITS PLANTS—AWAY FROM OLD STRONGHOLDS. *Business Week* (330 West 42 Street, New York 18, N. Y.), September 8, 1951. The statistics and the map presented in this article indicate that, as a result of plant decentralization, old industrial strongholds such as the Middlewest and the Northeast are not gaining new industries as fast as the South and the Mountain West, and neither coast is gaining as fast as the interior. Further geographical shifts, though on a more limited plane, are taking place as a result of the dispersal of industry, urged by the government as a means of scattering possible targets of enemy bombers.

COMMUNICATION IN THE WORK GROUP. By Harriet O. Rouken. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), July, 1951. The author addresses herself to the problem of effective two-way communication between managers and workers who, because of widely divergent social backgrounds, have difficulty in understanding each other. While she admits that there is no pat solution to the problem, her discussion of specific examples should be of immediate and practical help to administrators.

CONFLICT OR COOPERATION. By Howard L. Richardson. *Proceedings of the Second Annual Conference on Industrial Relations* (School of Business Administration, University of Buffalo, Buffalo, N. Y.) The author discusses the thesis that we can never have sound working relationships between management and labor if issues are settled by conflicts of power as they

are now. He predicts that in the future management and union leaders will have to negotiate in a goldfish bowl, every word and action to be judged by the American people, who will become more and more of a force in actually settling labor disputes.

PRODUCTIVITY—THE KEY TO NATIONAL SECURITY. By Harold Moulton. *Proceedings of the Sixth Annual Time Study and Methods Conference* (Society for Advancement of Management, 84 William Street, New York 38, N. Y.). 110 pages. \$6.00 (S.A.M. members, \$3.50). The key to a stable dynamic economy in the future is a progressive increase in productivity, the author maintains. Productivity, which is defined here as man-hour output, owes its past growth to scientific discoveries and inventions, engineering applications to productive processes, business organization and management, our economic system, and our governmental system. We can make equally rapid advances in productivity in the future by exerting continued effort along these lines, Dr. Moulton concludes.

WE NEED NOT STARVE FOR RAW MATERIALS. By Harland Manchester. *Nation's Business* (1615 H Street N. W. Washington 6, D. C.), June, 1951. In this analysis of the needs of American industry for raw materials, the author points out that even if our Far Eastern sources of supply were to be cut off we can perform miracles by ingenious substitutions. However, in the long run, an "ersatz policy" can only lead to a fantastic increase of man-hours per unit and a lowered standard of living.

Personnel Management

TAKING THE MYSTERY OUT OF COMMUNICATIONS

THAT MANAGEMENT is concerned about the communications problem is amply proved by the attention it gives to the subject at conventions, meetings, and wherever responsible executives gather to discuss ways and means of improving the operation of their organizations. With all this evidence of interest in this vital area of management-employee relations, it is disturbing to note that there is an almost equal amount of mystery both as to what it really means and, more particularly, what should be done about it.

There are probably three major phases of management's responsibility for good communications: (1) information which top management decides is necessary to pass on to employees for better understanding; (2) the constant exchange of ideas and information in the day-to-day interpersonal contacts on the job; (3) the messages which industry wants to get across to the public.

The first phase, information to employees, comprises one of the major aspects of the communications problem which management can do something about in a systematic way. One of the big questions which management is groping with and to which there is yet no complete answer is that of what information should be communicated. Attitude surveys, experience, and good judgment seem to add up, however, to the following rather basic things that employees want to know: (1) about the company, its operations, its products, and its plants; (2) about company policies affecting them and their jobs; (3) any special situations in the plant affecting all employees; (4) the

relationship between them, the company, and the economic system.

The finger unquestionably points to the supervisor as the key figure in the communications system. As the man closest to the worker, the supervisor has endless opportunities to pass on information to him and to listen to his problems and advice. The obvious answer is to make the supervisor the best possible communicator that we can.

A recent study made by the Industrial Relations Section at Princeton University to determine the relative effectiveness of written communication and speech revealed that most of the time the oral message is vastly more effective than the written message. Other studies have come to the same conclusion. Though we should do what we can to improve written communication, as well as visual and audio-visual aids, this study indicates that our present concern should be the improvement of speech communication.

Here are some suggestions for a specific program:

1. *Establish a "Climate of Communications."* This is primarily a responsibility of top management. Specifically, this can be accomplished in large group gatherings where top management talks to all levels of employees and through a system of regular conferences held by every level of management with all people who are directly supervised. The value of such conferences in promoting a feeling of "participation" and "belonging" has long been established in progressive organizations where such a policy is in effect.

2. *Set up a continuing Communica-*

tions Training Program. This again must start with top levels of administration and go down through the organization to include every key supervisor. Top management must be interested in this training in at least two ways: It must be willing to take time out to be trained itself; and it must be whole-heartedly behind the training for all other supervisors.

There are three major areas of communications training that should be considered. The first involves the ability to speak clearly and distinctly to one or more people, or in a group. The second is the ability to plan and lead a meeting or conference. The third is the combination of things required to talk informally to another person in an interview or conversation in the day-to-day contacts on the job.

The ability to speak effectively is itself no mystery, and there is no magic formula for either achieving it or helping others achieve it. Speaking starts with thinking. It includes planning what one has to say, having a purpose, using simple rules of organizing and developing ideas so that they will be understood, and communicating all this directly and sincerely. A resourceful training director can get a group of supervisors together and have them practice these things, or he can bring in someone to help with the training.

The ability to lead a meeting or conference comes naturally to some, but most

—HAROLD P. ZELKO. *The Journal of Industrial Training*, July-August, 1951, p. 9:5.

EMOTIONS CAN BE KILLERS

IT IS AXIOMATIC that if there were no human beings there would be no accidents. The individual contributes 95 per cent of the factors necessary to make an accident. "You can build a guard-rail around a band-saw," says Doctor Forster, "but you cannot fence off mental attitudes."

The emotional causes of accidents are

supervisors will profit from a brief training course. Training in these skills is now a major part of the total supervisory training program in many companies.

The ability to interview and talk informally involves a desire to want to know one's workers and to treat them as individuals. The General Motors Corporation thought this so important that it brought all supervisors into a course of training in human behavior, called "Man-to-Man on the Job."

3. *Recognize that it takes time to do these things.* If a supervisor is to go out of his way to make daily contacts with workers and to hold meetings, management must recognize this as an important part of his job and give him time to do it. Also, if the job of developing all key supervisors into better communicators is to be done at all, it should be done well, and the training program involved must, therefore, proceed slowly.

With the growing complexity of industrial organizations, the total economic system, and the present state of national emergency, it becomes more and more imperative that these suggestions be followed. If they are, the mystery can be taken out of the communications problem, and it will be recognized for what it is: the simple desire of everyone for information and the feeling of belonging.

deeply hidden, however. Apparently unrelated causes may bring about serious accidents. In fact, there is often more between the size of a grocer's bill and a broken leg than the average individual's philosophy may yet have dreamed of.

What then are the basic requirements for an accident? We can simplify the an-

swer by limiting the personal factors to two, each present in varying intensity. The first of these is lack of physical coordination, the jam in the muscular control, the slow reaction time through which the individual fails to assess a situation and move in time to avoid an accident, the slowing up of physical response in a set routine.

The second basic requirement for an accident is inattention, perhaps the distraction which an alien emotional current sets up so that the job in hand loses focus and full meaning; perhaps the intrusion of a feeling of distance and unreality which maladjusted emotional factors bring about; perhaps mental and emotional preoccupation—but, at any rate, inattention.

With some people these two factors are always present. Such people are "repeaters," the accident-prone. All of us fall into certain types of personalities, but the following types are more prone to have accidents than others:

1. The *manic depressive* you have all met, even though you may have recognized him under a less oppressive title. He is the most human of men. Praise him, and he flies to the sky; criticize him, and he mopes in the depths. He is the cyclic individual with either the up or the down cycle predominant. During the upswing, he must be watched, for he lacks the skill to take things in the rapid sequence which his temporary mood requires.

2. The *daydreamers* fit not too well into our industrial civilization. Their thought is always turned in, rarely toward the specific job to be done. Perhaps this is an impossible task, but to prevent accidents caused by these people one ought to keep them on the jump, keep them from having time to go wool-gathering. Action and a chance to dramatize themselves will hold their attention and free that excellent inventiveness which is typical of all dreamers who work productively.

3. The *chronic worriers* form another group which lacks proper coordination and sharp attention. They anticipate accidents, and, by that mental lineup, set their muscles and their attention so definitely on a coming misfortune that they often encourage it rather than send it away. The worrier also suffers in retrospect. Past narrow escapes upset him so much that he has a tendency to duplicate the situation and to provide a more dramatic conclusion. These

worriers should be drilled to a set routine wherever possible; when an emergency comes, habit will then take over and calm them.

4. The *crippled-personality* is another accident-prone person who eludes detection except by the trained eye. He is the person suffering from any disease or deficiency—heart ailments, deafness, gout, chest conditions, endocrine insufficiency, or others. He is often separated in his own mind from the average employee; his illness is a basic factor in all he thinks or does. A vagueness clouds his actions, and, in many instances, the defect which would not rule him out of performing his job is turned into an obsession which will. Medical treatment and out-in-the-open discussion will be a corrective, and, in time, the crippled-personality will become, as no doubt you have often observed, moderately proud of his ailment. But, then, we would rather have a human bore than a human accident.

5. The *lonely personality* is a much more diffuse case of inattention. The lonely man tends to become disassociated from his work and his fellow employees; he lives in a somewhat bitter world of his own making, and views even his job from the other side of an emotional Grand Canyon. Whatever the cause of the loneliness, two types emerge: those who linger at the edge of the crowd, wistfully hoping someone will invite them to join in; and the others who have an admixture of melancholia in their loneliness and will not join. Only the second group needs attention here; these people will become schizoid and dangerous, from a safety viewpoint, unless some well-thought-out program is conducted to win them to an inclusion in the life of the organization. They react well to this type of responsibility.

6. The *paranoid personality* is a suspicious fellow who reads dark motives and fell plans into the simplest of actions. He trusts no one and suspects everyone; he brings an element of unreality into the normal functioning of the industrial organization and thus violates the basic rules of accident prevention. Such a person must, at all costs, be removed from a supervising position, for he breeds resentment and unreality, endangering not only himself but all those under his direct command.

So far we have been discussing types of personalities, but there are also situations which give rise to our two requirements for an accident—inattention and lack of coordination. Some of these situations are:

1. Physiological fatigue arising from undernourishment.
2. Mental fatigue arising from long periods of concentrated work.

3. Financial difficulties which take a toll of the worker's coordination and attention.
4. Temporary shock. A death in the family, a broken engagement, a fire, or what not, may put a man into a temporary daze. Wherever possible, the supervisor should see that the employee does not work at all while in this condition. The few days of inaction will pay dividends in increased efficiency and freedom from accident.

This group of situations can usually be met quite easily, but the following set is more difficult to treat. These we shall only mention:

The problem of beginnings.
The problem of endings.

—LYDIA G. GIBERSON. *National Safety News*, September, 1951, p. 28:6.

The menopause, both male and female.
The problem of group exhilaration.

These, then, are many of the sources of accidents arising from emotional factors.

To sum up, safety should be regarded as a sign of positive coordination, a sweetness of physical and mental health, the adaptation of a twentieth-century adult to his industrial environment. And it is extremely important to remember that all of his environment must be considered, for man lives, breathes, and works as a unit. Safety is a humane consideration and a grace accruing to a really decent civilization.

Broadening the Foreman's Horizon

MOTOROLA, INC., has an unusual, but highly successful, foreman indoctrination and training plan. Twice a month for six months, all foremen, assistant superintendents, superintendents, and department heads are taken on a day-long tour of manufacturing plants outside the company's own radio-television field. The purpose is to widen a man's general knowledge of industry.

Such visits have been made to U. S. Steel Company's South Works, Elgin National Watch Company, Container Corporation of America, American Can Company, R. R. Donnelley and Sons, and the Electro-Motive Division of General Motors. A question-and-answer period follows the trip; then each man writes a report on what he observed and learned on the tour. From these reports have come suggestions for new methods at Motorola. They also reveal much about the judgment and intelligence of each foreman and superintendent. Furthermore, the tours enable management to size up assistant foremen who carry on in the absence of their superiors. The cost of this outplant training, incidentally, is exceptionally low.

—JOHN A. PATTON in *Commerce* 9/51

Family Budget of City Worker

TOTAL ANNUAL COST of the city worker's family budget in 34 large cities of the United States ranged from \$3,453 in New Orleans and \$3,507 in Mobile, to \$3,926 in Washington, D. C., and \$3,933 in Milwaukee, an analysis for October, 1950, shows. These are the Bureau of Labor Statistics' current estimates of the cost of the budget, which was designed to describe a "modest but adequate" standard of living for an urban worker's family of four persons—an employed father, a housewife not gainfully employed, and two children under 15 years of age. Costs of goods, rents and services, payment of personal taxes, Social Security deductions, and nominal allowances for occupational expenses and life insurance are included.

The October, 1950, cost of goods and services alone ranged from \$3,178 in New Orleans to \$3,577 in Washington. Comparable costs of the goods and services budget for October, 1949, and June, 1947, were \$3,064 and \$2,806, respectively, for New Orleans, and \$3,467 and \$3,180 for Washington.

—*Monthly Labor Review* (U. S. Dept. of Labor) Vol. 72, No. 2

THE SUPERVISOR'S PART IN SAFETY

WHEN AN ACCIDENT which is not too serious occurs, most people say, "Oh well, accidents will happen. . . ." The safety experts, however, say that accidents don't just happen—they are caused: by carelessness, negligence, inattention, lack of training in accident prevention, poor housekeeping, poor supervision.

Thinking Safety. The supervisor who develops in his workers the habit of thinking safety will be bound to have a lower accident rate in his department. One way for him to make the employee safety-conscious is to be so himself, to practice what he preaches.

Setting an Example. If a job requires the use of safety goggles and he stops to show a worker how to handle that job, he must make certain to wear goggles too. If he checks on a welding job when it is in process, he must also protect his eyes by proper equipment.

Good Housekeeping. Good housekeeping is one of the main methods of preventing accidents in shop or office. A supervisor who insists upon an orderly, ship-shape department not only has the pleasure of an attractive-looking department but will find that work is done more quickly, with no time lost while employees look for things which should be right at hand for the job in process.

Discussion. When an accident does occur, the supervisor has an excellent

opportunity to get over the main points of a safety program. Instead of trying to find someone to blame, he should find out *why* the accident happened. What was responsible for it?

In checking back over the accident, he can secure the future cooperation of all the workers by a thoroughgoing discussion of the accident. This is good psychology, for it impresses the workers with the part *they* play in keeping down accidents.

Discipline. The worker who gets away with violations of safety rules sooner or later (if he lives that long) acquires the feeling that he is lucky—he develops an "it-can't-happen-to-me" attitude. Such an attitude soon permeates the whole department.

The supervisor who trains himself to be alert to changing conditions in his department will save himself and his workers much grief. A new machine is set up, a new worker starts on a job, new wiring is installed, or a machine breaks down and a temporary arrangement is set up to keep things going—all these things call for special attention, for all are conducive to trouble.

It is a big order for the supervisor to check all these things daily, but only by being on the job can he hope to avoid the "unavoidable"—the unforeseen accident.

—*Personnel Newsnotes* (Owens-Illinois Glass Company), August, 1951.

A JUNE SURVEY of the needs of 378 companies and government agencies shows that when the current graduating class of 38,000 is absorbed there will still be an unfilled demand for more than 60,000 engineers.

The increased complexity of our industry and the impact of new technological areas such as atomic energy, the development of antibiotics, jet propulsion, electronics, etc., have caused a definite upturn in the use of engineers and scientists quite independent of mobilization. The ratio of engineers to gainful workers has been increasing steadily since 1890, now standing at about 1600 engineers per 100,000 workers (according to the Bureau of Labor Statistics), and there is no sign yet that this ratio has commenced to level off.

—*Newsletter* (Engineering Manpower Commission of Engineers Joint Council) 6/28/51

INCREASED EMPLOYMENT OF OLDER WORKERS NEEDED

FOR SOME YEARS, the proportion of persons of 65 years of age or over who are in the labor force has been dropping. In 1890, about 68.2 per cent of males of 65 years or more were in the labor force; by 1940, this proportion had dropped to 42.2 per cent. The strong demand for labor during World War II raised the proportion to nearly 50 per cent in 1944, but by 1950, it had dropped to about 45 per cent.

Though an attempt has been made to meet the problems of retired workers by pension plans, both public and private, the greatest need of older workers is an opportunity to continue working, not an opportunity to retire on even a generous pension. A job is more than a source of income. It gives men a sense of participation in the affairs of the world, often acting as a source of social contact.

The community also needs to have older workers continue working as long as they wish to do so and are able to do so. Though this is particularly true at the present time when the defense program has greatly reduced the available labor supply, the community's need for employment of older workers is a permanent one, which will become greater as time goes on and as the proportion of older persons in the population increases. The standard of living of the country depends, of course, upon the output of industry per capita of population. If the proportion of males of 65 years or over in the labor force and at work were raised to 60 per cent, the volume of employment would be increased by 750,000 and the output of the country by about \$3 billion, or somewhat more than 1.1 per cent. Hence, the volume of consumption would increase by about \$3 billion a year, and the standard of living would rise by more than 1.1 per cent. Though this may not seem a large

amount, it is considerably more than half the interest on the Federal debt. Furthermore, the gain in the standard of living would occur where it would do considerable good—that is among persons who would otherwise be living off pensions instead of wages.

Between the present time and 1975, the proportion of persons of 65 years of age or more in the population will rise from 8 per cent to about 10 or 11 per cent. Hence, if nothing is done to increase employment among older persons, the burden of supporting them will rise by 25 per cent as a minimum and possibly by as much as 40 per cent. An increase in the number of older persons employed could prevent such a rise in the burden of supporting them.

Is it really practicable to employ a greater number of older persons? Are these persons able to do the kind of work required in modern industry? By and large, the possibility of continuing the employment of workers beyond the age of 65 is excellent. In the first place, the choice of 65 as a retirement age is quite arbitrary and is not based upon any scientific determination of proper retirement age or upon any careful investigation of the physical or mental abilities of older workers. In the second place, the proportion of persons of 65 years of age or more who are capable of working is about as high as it was in 1890 when two out of three males of 65 years of age or more were in the labor force. It is, therefore, conservative to estimate that at least three out of five ought to be in the labor force today. In the third place, the proportion of jobs that require care, responsibility, alertness, and quick reactions seems to be increasing, while the proportion that require mere physical stamina and muscular exertion seems to be diminishing.

Would not the employment of a larger proportion of older persons mean that there would be fewer jobs for younger workers? The answer to this question is "no." An expansion of employment means an expansion of incomes and, hence, of expenditures. Once incomes are created, they tend to sustain themselves because each income recipient spends or invests all or most of his income. This means that once a high level of employment has been brought into existence, the volume of employment in subsequent years will tend to be higher. Since employment in most periods of expansion has been limited by the size of the supply of satisfactory labor, there is good reason to believe that a larger labor supply (made possible by a larger proportion of older workers in the labor force) would make possible a permanently larger average level of employment.

What can be done to increase the employment of older workers? One useful step would be to raise the retirement age stipulated in many existing pension plans. Another would be to encourage the spread of piece work throughout industry. Piece work is especially advantageous to older

workers because it diminishes the desire of employers to drop workers who are slowing up—since piece work makes direct labor costs the same for slow workers as for fast ones. A third possible way of encouraging the employment of older workers is to pay employers one-fifth to one-fourth of the annual earnings (say earnings up to \$3,600) of all workers kept beyond the stipulated ages. The retention of older workers would save money for the Federal old age and survivors' insurance plan, since men and women who had jobs would not be drawing pensions. These subsidy payments would make it advantageous for employers to keep many older workers who have lost part of their former efficiency, the employee would have the advantage of having a job instead of living on a pension, and the community would have the output produced by the retained worker.

Failure to utilize more completely the productive capacity of older workers is one of the greatest wastes in modern history. It is, however, a waste that can be easily eliminated if the country would refuse to tolerate it.

—SUMNER H. SLICHTER. *Wisconsin Labor*, 1951 (Wisconsin State Federation of Labor).

Federal Guide to Cost-of-Living Adjustments

ALMOST three million workers were affected by labor-management agreements providing for cost-of-living wage adjustments by the end of the first quarter of 1951, according to the Labor Department's Bureau of Labor Statistics.

About nine-tenths of these adjustments were made on the basis of the Bureau of Labor Statistics' National Consumers' Price Index, and the remainder were based on the CPI for a particular city, or on a state cost-of-living index. Adjustment of wages is made quarterly for 88 per cent of the workers covered, and of these, 95 per cent are covered by two major categories: 1 cent per hour change for each 1.14 point change in the index, and 1 cent for each 1 point change.

In view of the widespread use of the Consumers' Price Index in wage escalation and the high degree of interest in the manner in which the Index is used for this purpose, the Bureau has prepared a pamphlet on this subject which is now available for distribution to interested persons. The pamphlet entitled *Wage Escalators And The Adjusted CPI* contains material on the extent and terms of escalator clauses in union contracts and the manner in which they are affected by the recent adjustment in the Consumers' Price Index. Copies of the report are available free from the New York Regional Office of the Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

OPERATION DISABLED

EVER SO OFTEN, blue-chip industrialists moan about a serious labor shortage in the near future that will threaten the entire defense program, but they fail to take advantage of hundreds of thousands ready to go to work tomorrow from an untapped labor pool—the physically handicapped veterans and civilians.

In the Southern California area, there is Repecal Brass, a plus-\$6 million-a-year concern that manufactures 2,200 different types of plumbing fixtures. This company has a young vice president, Ford Cowing, 31, and in his opinion any official who is unwilling to investigate employment of the handicapped has rocks for brains and he's ready to prove it—over 30 per cent of Repecal Brass employees are handicapped.

Other plants, such as Hughes Aircraft Corp., employ deaf and speechless mail carriers, and the service they render is excellent. At Hughes a "team" of three blind veterans is employed to do assembly on radar wiring fields entailing 79 different operations. For heavier work on radar assembly, Hughes employs over 70 paraplegic veterans. It also employs a left-arm amputee who is one of their finest lathe machinists and tool-and-die makers. He wears no prosthetic appliance.

Supreme Engineering Corp., in San Fernando Valley, a specially equipped production plant employing wheel-chair veterans, is now in full operation. Contracts for light assembly production are being filled in government defense work as well as civilian industry. Disabled veterans constitute more than 95 per cent of the working personnel.

While making a survey of the major aircraft companies about a year ago, E. J. Rivers, president of Supreme, observed

—H. K. SCHIERENBECK. *Employment Security Review*, September, 1951, p. 19:2.

that a very large number of parts could be assembled by men in wheel chairs. Several of the aircraft plants employing these disabled veterans praised the low absenteeism and high morale of the physically handicapped, when sufficient attention had been given to the selection of jobs and the training of personnel.

Realizing that this was a previously untapped source of labor, Mr. Rivers came to an immediate conclusion: Why not set up a plant for light assembly production, on a subcontract basis, employing these disabled veterans almost exclusively? The Supreme Engineering Corp. is the answer.

The response by the veterans themselves was tremendous. The Veterans Employment Service, cooperating with the Paralyzed Veterans Association, supplied Supreme with a list of men who were anxious to go to work, together with their qualifications. These paraplegic veterans possess an *esprit de corps* not found among average assembly workers. The men realize that their performance and production record will be watched by industrial leaders and other handicapped people throughout the country. The ultimate aim of Supreme Engineering is to see this plan adopted in other parts of the United States.

At Supreme Engineering Corp., time clocks do not exist; the entire plant operates on an honor system. The men are paid as they learn, at the prevailing rate for this type of assembly work in Southern California. The plant is equipped with special work benches, toilet facilities, wide doors, etc., to accommodate the wheel chairs.

Supreme Engineering's motto is: *The best rehabilitation in the world is a job.*

Rejuvenated Suggestion Boxes Recommended

SUGGESTION BOXES should be changed every six months or so to create and stimulate new interest, according to some personnel managers. These men also advocate a change in the suggestion form and frequent change in posters.

The company suggestion system is a drive or a campaign and has to be kept alive and moving all the time. The same old box with the same dog-eared poster can work to defeat the suggestion program rather than promote it. This doesn't necessarily mean it is necessary to purchase a new box every time a change is desired. The company maintenance man, the carpenter, or the paint and display division can often rejuvenate an old box, even redesign it.

While most personnel men questioned on this subject believed twice a year was frequent enough to change the complexions of suggestion boxes, other personnel managers shift them monthly.

—*Personnel News Bulletin* (California Personnel Management Association) 9/7/51

Speeding up Action on Wage Petitions

THE WSB APPROVAL MILL grinds slowly—and, besides, it grinds separately for each different type of pay adjustment in an approval application. Therefore, if you want quick action, don't lump all your WSB requests for approval in one petition.

For example, a multi-adjustment application has to go through the processing line from bottom to top for the straight pay boost. Then it runs the gauntlet through a different staff of analysts for, perhaps, paid vacations or holidays. When it gets to the top level once more, it is sent down and starts all over again on yet another course for, say, hospitalization insurance and pension benefits.

If you need the fastest possible action on a petition, ask approval for just the one kind of pay adjustment you're in the most hurry about. A couple of weeks later, send in your application for the ones you're prepared to wait for.

—*Labor Checklist* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.) 9/6/51

Legal Restrictions on Night Work by Women

IN 18 STATES and in Puerto Rico, night work by women in specified industries is either prohibited or regulated.

In 13 states—California, Connecticut, Delaware, Indiana, Kansas, Massachusetts, Nebraska, New Jersey, New York, North Dakota, South Carolina, Washington, Wisconsin—and in Puerto Rico, such work is prohibited by law for one or more industries. Six of these states—California, Connecticut, Delaware, Kansas, South Carolina, Wisconsin—and Puerto Rico, have also established regulations to cover women's night work in certain other industries or under certain conditions.

Maryland, New Hampshire, New Mexico, Pennsylvania, and Utah do not prohibit night work by women, but have provided regulations to restrict it in specified industries.

—*Monthly Labor Review* (U. S. Dept. of Labor) Vol. 72, No. 4

ALL RETIRED EMPLOYEES at the Nashua Gummed and Coated Paper Company were invited to take an active part in the company suggestion system last year. All the "tools"—suggestion booklet, blanks, envelope, and instructions—were sent to them along with a special letter explaining the setup.

—*American Business* 5/51

Also Recommended . . .

COLLECTIVELY BARGAINED LENGTH-OF-SERVICE BENEFITS. By James Nix. *Monthly Labor Review* (Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.), August, 1951. The Bureau of Labor Statistics has analyzed 330 current collective-bargaining agreements covering over four million workers to determine the prevalence of various length-of-service benefits which make workers reluctant to transfer to new jobs. This article summarizes findings on the relationship between seniority and lay-off, rehiring, promotions, transfers, shift preference, vacation dates, length of paid vacation, length of paid sick leave, dismissal compensation, and pensions.

UNION WAGE PRESSURE AND TECHNOLOGICAL DISCOVERY. By Gordon F. Bloom. *The American Economic Review* (405 Hilgard Avenue, Los Angeles 24, Calif.), September, 1951. The author discusses the relationship between rising wage costs and the rate of technological advance. He concludes that though at the present stage of union development there may still be some small net stimulus from wage pressure, in the future the growing strength of union organization is likely to be reflected in a multiplication of union rules and regulations which will retard the introduction of mechanical improvements.

EMPLOYEE MAGAZINES ARE HARD TO READ. By Arthur O. England. *Personnel Journal* (Swarthmore, Penna.), July-August, 1951. This critical analysis of 50 house organs, based on a study made by a psychologist, shows that many are written in such a style that at least 50 per cent of employees have a difficult time understanding them. The author suggests that you determine the reading ability of your audience and that you measure your writing by the Flesch formula. In addition, he provides five "tips" on how to write to be understood.

CURRENT ISSUES IN COLLECTIVE BARGAINING. By Bert Seidman. *Proceedings of the Second Annual Conference on Industrial Relations* (School of Business Administration, University of Buffalo, Buffalo, N. Y.) In this discussion of various aspects of collective bargaining agreements, the author points out that it is in the interest of labor, management, and the public for labor and management to work with the same set of facts. This would eliminate guessing and the fear that vital information is being withheld. A major part of the article is devoted to the much-publicized question of pensions. The author believes the

provisions of a pension plan should be included in the collective bargaining agreement and should be protected against arbitrary change or termination by management.

REPUBLIC STEEL TEACHES ECONOMICS TO SUPERVISORS. *Business Week* (330 West 42 Street, New York 18, N. Y.), September 8, 1951. For the second consecutive year, Republic Steel is offering to its first-line management men a course on the basic economics of running their country and their own business, which has been worked out jointly by Republic and the Industrial Relations Center of the University of Chicago. Similar economics training programs are spreading steadily throughout industry; they include subjects such as prices, wages, profits, money, banking, and though several use audio-visual aids, they rely chiefly on group discussion.

REDUCING INDUSTRIAL ACCIDENTS. By G. Roy Fugal. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), July, 1951. This account of a new and experimental approach to safety education at the General Electric plant cites the spectacular results obtained in cutting the accident frequency rate by personalized safety instruction and supervision. The accident rate (number of lost-time injuries per million man-hours worked) in the department in which the program has been operating since 1947 dropped from 6.29 in 1946 to 2.85 in 1949, and is well along toward the goal of 2.00 for 1951.

A PLAN FOR REDUCING ABSENTEEISM. By Thomas C. Kent. *Personnel Journal* (Swarthmore, Penna.), July-August, 1951. Though no single plan will ever entirely cure the problem of absenteeism, the plan described in this article reduced the rate in one company to less than 3 per cent a year, a vast improvement over early post-war figures. The payment of cash for good attendance on the basis of a generous schedule of payments, which is listed in the article, was decided upon.

LABOR'S COMING OF MIDDLE AGE. By Daniel Bell. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), October, 1951. This article considers the social and political perspectives of the labor movement—the position of labor in American society today, and the trade unions' own image of that position. Basically, it finds that labor is in the process of shedding its "left" orientation and returning to a more traditional "market unionism."

MECHANIZATION IN THE OFFICE

THERE ARE THREE basic objectives to consider in planning a mechanization program. These are: to reduce costs; to do a better job than could be done manually; and to do jobs that are not feasible or possible to be done manually.

How are costs reduced through mechanization? The most obvious aid to cost-reduction is the increase in output per manhour which results. Another possible saving is that of floor space. Certainly a machine which can take the place of 20 or 30 people makes considerably more space available. A third advantage is the fact that machines can perform office tasks many times faster than they can be done manually. Take, for example, some of the following machines:

Letter Opening Machines. There is on the market, selling for about \$40, a hand operated machine which opens from 30 to 50 letters a minute. And if you need more capacity than that, there is a semi-automatic machine, which sells for \$150, which will open 60 to 75 letters a minute. A fully automatic machine, selling at approximately \$200, is also available. This will open 175 letters per minute.

Letter Folding Machines. Compare the 500 to 2,000 letters an hour that this machine can fold with the number your employees can do by hand.

Electronic Computing Machines. These recently developed machines will perform a number of very elaborate operations. One such machine, which rents for about \$500 a month, can replace a crew of 30 people working with individual calculators and posting the results by hand. Seven hundred are now in use throughout the

country. A simpler machine, which does the same job but at a lower rate of speed and at a lower rental cost, is also available.

Duplicating Machines. Printing is costly and often slow because of the number of operations involved. As a result, office duplicating equipment has been designed to handle a large number of reproduction jobs previously handled only on presses.

Automatic Typewriters. This device enables a single operator to control a number of typewriters, each simultaneously typing original copy at the rate of 125 words a minute. Compare the difference in cost and time of a girl typing original letters at the rate of 50 or 60 words a minute with three machines each turning out the same letters at 125 words per minute.

Accounting Machines. Another example of machines which will save time by combining operations is the large variety of accounting machines which enable you to charge a purchase to the proper department of your company, write a check to the vendor, and enter the transaction into the accounting record of your books.

What do we mean by a better job in office work, the second objective of mechanization? Accuracy is probably one of the primary advantages of office machines, especially when you get into the handling of financial transactions. Another factor is their ability to get the job done in the shortest possible time. However, the greatest advantage of mechanization is that it extends the services of the office. Extended office services mean better control of production, better control of distribu-

tion, and better planning—all of which depend on more and better information.

How do you go about developing a mechanization program in your particular office?

The best approach to this job is a systematic study of all office operations, rather than consideration of individual jobs. Through an over-all approach, you might find that the combined use of a given machine for perhaps two or three different jobs will justify its purchase, whereas a single operation would not.

You must also study the flow of information and your forms. During this step, ask yourself these questions: What are the operations which must be performed on the basis of this data? What results are required? What checks on the accuracy and validity of the calculations are required? Where do the data and reports go? Who uses them? When do they need them? What do they do with them? Are the reports read or thrown in the waste basket? The most important question, of course, is: Why is this information needed? It would be foolish to spend \$500 or \$1,000 for a new machine to enable you to do a better job on an opera-

tion that doesn't need to be performed at all.

When you have fully analyzed your operation as a unit, the information needed, the forms required, and the equipment considered best, then take a look at the future before making any decisions on immediate equipment installations. Too often, an office manager or a factory manager may decide that he needs a certain piece of equipment immediately because he is temporarily behind in his work schedule. He doesn't consider the fact that the work load may be only temporarily high; he rushes out and buys an expensive piece of equipment and three months later finds that he needs another machine for some other operation. The original machine is then junked and the process is begun over again. If this manager could have looked ahead one year, two years, five years, or even 10 years, despite the uncertainties involved, he could have considered possible changes in volume and procedures and worked out a mechanization program which would fit all his needs. Therefore, integrate your present equipment needs with your probable future needs; otherwise you'll be operating strictly on an opportunistic basis.

—From an address by LEE S. WHITSON before the 32nd International Conference of the National Office Management Association.

Advice to Dictators

OUT OF OFFICIAL WASHINGTON come these suggestions for conserving stenographic and typing skills:

1. *Use skills to advantage.* Relieve stenographers and typists of jobs that can be done by messengers or clerks. Assign copy-work to typists. Dictate to a typist (while she types) if a stenographer is not available.
2. *Simplify procedures.* Use form letters and form paragraphs when possible. Standardize letter salutations and closings. Write informal notes in longhand.
3. *Keep memoranda and letters concise.* Make all changes in a rough draft the first time. Use duplicating machines to eliminate typing many copies. Do not waste time dictating material already printed or available for copying.
4. *Dictate effectively.* Prevent unnecessary interruptions. Have complete information at hand. Speak distinctly. Spell unusual words and proper names. Make yourself responsible for grammar and sentence structure. Tell the stenographer how many copies you want and how you want them set up.

—*Supervisor's News Service* (Bureau of Better Business Practice, New London, Conn.) 8/22/51

DEVELOPING A WORK SIMPLIFICATION PROGRAM

THE BASIC PHILOSOPHY underlying methods improvement procedures assumes (1) that as men's knowledge and skill increase, there will always be a better way of doing work and; (2) that a systematic exploration for the best way is more dependable than haphazard inventiveness or cleverness. With these assumptions granted, and providing that skill and knowledge do increase, the solution to the problem of improving methods lies in the selection of a workable and orderly procedure which will discipline and direct the ingenuity of those men who are capable of making improvements.

At Servel, the following eight steps have been developed and used successfully to guide men in systematically producing methods improvements:

1. Having selected a job or method to better, the first step is to *search*. This involves exploring all possible areas of change to find possibilities for improvement. A thorough search will often prevent a good idea from blocking a better one and will frequently develop new ideas. Each idea should then be noted briefly on a "Possibility List." In making such a list, care must be exercised not to dwell on any one idea to the exclusion of additional ones. The most effective search usually results from a man's own ideas, supplemented by ideas arising during discussions with other men, and further complemented by ideas derived from the use of checklists or other such suggestive devices.

2. *Select* involves arranging the ideas discovered by the search in an orderly fashion and choosing the one which appears to be the most practical. This requires the use of a "Possibility Guide" in which all possible changes are divided into five numbered areas: (1) Motion Pattern; (2) Tools, Work, Place, and Equipment; (3) Procedure; (4) Form; and (5) Serv-

ice Product, which includes the taking on or elimination of whole batches of work.

Every idea for change will affect one or more of these five areas and should be classified according to the highest numbered area which it affects. This serves two purposes. It arranges the ideas on the "Possibility List" in a fashion which facilitates selection, and it indicates areas of change which may have been neglected when considering possibilities.

3. *Breakdown* involves listing, usually in chart form, the known facts about a method or job. It has been the writer's experience that men seldom remember over two-thirds of the steps which occur in processes they are intimately familiar with—often they fail to remember over half. Many well-known techniques can be used effectively to make a breakdown—process charts, flow diagrams, operation charts, time charts, and others.

4. *Analysis* involves the application of knowledge, skill, experience, and "know-how" to the facts obtained from the breakdown to determine what changes can be made profitably. Here, too, the use of checklists or suggestive devices and discussion with others usually bring worthwhile improvements to mind.

5. *Devise* involves building up on paper a proposed method. It is done in much the same manner as the breakdown, and gives a clear and complete picture of the new method.

6. *Examine* involves the same steps as analysis. A newly devised plan should be examined with the same care, skill, and application of knowledge that is used to analyze a breakdown.

7. *Sell* involves convincing those who must approve and use the proposed method that it should supplant the present method, or in the case of a totally new procedure, that its advantages are well worth the

cost and effort. This requires a clear explanation of the new method, the reasons for it, and the benefits to be obtained by its use.

8. Install involves putting a new or improved method into effect and doing the necessary follow-up to insure results. A good machine improperly installed or a skilled worker poorly instructed is

likely to be unsatisfactory. This is equally true of a new method or procedure.

These eight simple steps form a logical approach that is being used successfully at Servel to help men make their own improvements. It is not a magic formula, but merely a sound method of approaching a problem to obtain the greatest benefit possible.

—HERMAN A. STRAUS. *The Office Economist*, September-October, 1951, p. 6:4.

Good Housekeeping in the Office

AFTER AN OFFICE has been spruced up, everybody is usually more conscious of keeping it spic and span for a little while. But things return to normal soon enough, with desks looking messy and coats hanging over filing cabinets.

One office manager successfully fights this tendency by sending a monthly reminder to everyone in his departments. Here's his latest memo:

"Several visitors have commented recently on the attractiveness of our offices. Let's keep them that way—it's good public relations for the company.

"This month's 'beauty tips':

1. Check your desks every week or so for alignment.
2. Do not place storage materials, papers, or other things on top of desks, cabinets, or chairs.
3. Chairs should be pushed under the desk when you leave at night so that charwomen can pass by to empty waste-paper baskets.
4. Keep chairs, cabinets, and waste-paper baskets out of the aisles.
5. Keep 'in' and 'out' boxes on your desk in the same spot. Changing them around is of no help to the messenger."

—*Supervisor's News Service* (Bureau of Business Practice, New London, Conn.) 3/7/51

Automatic Device Takes Orders Night and Day

OFFICE HOURS may be over at 5 o'clock, but business can go on night and day with a new recording system which keeps telephone lines open after hours for the automatic reception of calls. Deliveries to customers can be speeded up a full day because this new instrument keeps an order department "open for business" throughout the evening and night—without any clerks in attendance.

If a customer or salesman wishes to place an order with a firm after hours, all he has to do is dial its number. A voice answers and directs him to give his name and address and dictate his order. The next morning the accumulated orders are ready to be filled directly from the recorded tape, and transcriptions for the billing department can be made at any convenient time.

Besides having the advantage of speed, the device can also cut telephone bills. Salesmen's long-distance calls are considerably cheaper after 6 P.M.; furthermore, the length of their calls, local or long-distance, is drastically cut, since the salesman can talk as fast as he wishes into the automatic recorder.

This recording system, patented by Magnetic Recording Industries, New York City, complies with the requirements of Bell Telephone and the regulations of the Federal Communications Commission.

DETERMINING THE EFFICIENCY OF YOUR FILING SYSTEM

THOUGH EACH filing system may have individual standards developed to meet its own special problems, there are a few general criteria which apply to all systems. Is "finding," the basic purpose of all filing systems, performed to management's complete satisfaction? Is every record or report desired by management found without delay? Does everyone have confidence in the filing operation?

A scientific check on finding efficiency and file activity can be determined by a short period count (the longer the count period the more accurate the survey), and the use of the following factors: (1) number of documents "filed" (per day or week); (2) number of references "found" (per day or week); (3) number of references which were "not found" (per day or week).

The following formula measures *finding efficiency*. To determine Accuracy Ratio, substitute the counts for (1) and (2) above, and compute.

$$\text{Accuracy Ratio} = \frac{(1) \text{ number of references "not found"}}{(2) \text{ number of references "found"}}$$

Where this ratio is less than $\frac{1}{2}$ of 1 per cent, the file is in excellent operating condition. If the ratio exceeds 3 per cent, the system warrants immediate attention, for one or more of the following may be true: (1) inaccurate filing; (2) improper indexing and classifying; (3) failure to charge out and follow up; (4) inadequate system of routing material to or from the file; (5) retention of material in private files.

Time studies indicate that a normal finding time per single reference for most types of active letter or legal file is from 15 to 45 seconds. This time includes operator travel to and from files; however, in excessively large file operations, the transit time may be sufficiently great to increase the average reference time.

The following formula known as the reference ratio measures *file activity*. From it management can roughly determine its needs regarding file analysis, retention, disposal, and transfer of records.

$$\text{Activity of Reference Ratio} = \frac{\text{number of references "found"}}{\text{number of documents "filed"}}$$

The reference ratio may vary from 1 to 30 per cent. This means that for every 100 pieces filed from 1 to 30 pieces are called back for reference. If the reference to the files is more than 20 per cent, the file procedure is probably good. If reference is from 10 per cent to 20 per cent, the file procedure offers an opportunity for improvement. The smaller the per cent of reference below 10 per cent, the greater the likelihood that separate files exist. When the reference is close to 1 per cent, it is likely that the main files will be only dead storage.

In general, when the cost of operating a four-drawer file is below the average for the prevailing salary scale and when the accuracy and activity ratios are acceptable, it is reasonable to assume a sound and efficient file operation. However, if the activity ratio is less than 10 per cent, the operation should be carefully examined because the "below average cost" may indicate that the salary of the file clerk has been distributed over a large number of files containing inactive material which should be transferred or destroyed. These inactive files are actually maintained at an excessively high cost, for they are maintained at the cost of "active files."

In general, file economy will result from: (1) *controlling the origin* of non-essential originals and carbons; (2) *establishing a scientific system of file procedure* in keeping with the requirements peculiar to a firm's specific business needs; (3) *fixing responsibility* for supervision of the

entire file on a well-trained and qualified individual, and giving that person sufficient authority to enforce correct filing operations and procedures; (4) *providing correct equipment* which will best accommodate the system selected and pro-

—A Yardstick for Filing Cost and Efficiency (Remington Rand, 315 Fourth Avenue, New York 10, N. Y.) p. 16:4.

Also Recommended . . .

OFFICE-PLANT INTEGRATION BRINGS PRODUCTION BENEFITS. By Paul Schneider. *Advanced Management* (84 William Street, New York 38, N. Y.), August, 1951. This article points out how the installation of high-speed automatic business machines in the front office of one company proved to be a production aid of great value. In addition to greatly improved operating efficiency, up-to-the-minute reports and records, and significant economies, this company's use of punched-card procedures has resulted in better production control in the plant and a saving of much time and labor in its cost accounting.

TRAINING EXECUTIVES IN THE PREPARATION OF SPECIAL ASSIGNMENT REPORTS. By Daniel R. Lang. *The Office Economist* (369 Broadway, New York 13, N. Y.), September-October, 1951. This article, which is primarily concerned with the special problems of the report writer, provides some valuable suggestions for adapting the data, organization, and language of the report to the reader. The value of conciseness in achieving clarity and economy is stressed.

NEW FILES SAVE 350 MAN-HOURS EVERY MONTH AT SQUARE D. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1951. This report on the results of a new filing system cites advantages which include savings in "work actions" of more than 60 per cent with consequent reductions in personnel requirements.

tect "vital records" from fire; (5) *developing and maintaining* satisfactory transfer and disposal programs.

Savings in excess of 60 per cent of overall filing costs can be realized by the proper reorganization of the average file.

HOW THE OFFICE MANAGER CAN IMPROVE HIMSELF. By Rowland Collins. *Proceedings of the 32nd International Conference of the National Office Management Association* (132 West Chelton Avenue, Philadelphia 44, Penna.) The office manager's program of self-improvement will be most effective if it is motivated by a desire to help his subordinates improve, the author believes. He cites three areas in which the office manager can assist others: (1) output per man-hour; (2) human relationships; and (3) the development of initiative and creativeness. A visit, at least once per month, to the office departments of competitive and non-competitive firms to see and evaluate the other fellow's methodology is recommended as part of this self-improvement program.

FACTOR ANALYSIS OF CLERICAL APTITUDE TESTS. By John T. Bair. *Journal of Applied Psychology* (American Psychological Association, 1515 Massachusetts Avenue N.W., Washington 5, D. C.), August, 1951. A report on the application of factor analysis techniques to clerical aptitude test data. It was found that a battery of 18 tests measured three main factors (perceptual analysis, speed, and comprehension of verbal relationships), though these accounted for only 41 per cent of the total variance. This study seems to corroborate the results of a previous investigation which indicated that the Minnesota Clerical Test was more significant in measuring clerical aptitudes than any other test used in the battery.

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held on Thursday and Friday, October 18-19, at the Hotel New Yorker, New York City.

Production Management

APPLYING INDUSTRIAL ENGINEERING PRINCIPLES TO ACCIDENT CONTROL

IF INDUSTRIAL ACCIDENT control is to be fully effective, emphasis should be directed to the basic conditions responsible for each injury and not to the injury itself or its immediate cause. Safety shoes will help to prevent foot injuries, but safety shoes will not eliminate falling objects with the resulting production delays and the damage to equipment and material.

Let us consider the case of a man who strained his back lifting a heavy casting. At first glance, someone might say the cause was failure to use proper lifting methods. In this instance, that would be absolutely true. However, the investigation continued and included questioning on *why* this lifting was necessary. It was found that the handling of the castings could be almost eliminated by relocating one piece of equipment. This change made the job easier for the employees, eliminated the time required to move the casting from one machine to another, and greatly reduced the possibility of back injuries insofar as this job was concerned.

I should like to suggest an approach to accident control which has been found very successful. We can call this a plan for eliminating job hindrances. It involves four steps: first, get the facts; second, develop corrective proposals; third, sell the proposals; fourth, follow up.

Step I—get the facts—means exactly what it says. This necessitates developing all data concerning *equipment, material, and people* that have any bearing on accidents and other production problems. A good place to start in making

a complete study is to analyze the accident records. Keep in mind, however, that this analysis will indicate clues only and that further investigation is necessary to determine the real facts.

These will be discovered through a thorough study of the operations. This will involve observation of actual operating conditions and discussing methods and procedures with the individuals concerned. A large *why* should be kept in mind while making such a study. Question *why* men doing similar jobs are using different methods—*why* frequent repairs have to be made on certain machines—*why* certain materials must be handled—*why* material is stored in certain inaccessible areas—*why* the attitude of some of the personnel is not what it should be—and many other *whys*. The answers to these questions will lead to important facts that will later form the basis for suggested improvements.

Step II is *develop corrective proposals*. The proposals, to be effective, must be objective. There may be many possible corrective actions for each accident-producing condition. Weigh the benefits management can expect from each of these actions and determine which would be most effective.

Step III is *sell the proposals*. Every proposal considered will involve one or more of the supervisors. It is, therefore, obvious that the proposals must be "sold" to the supervisors who are involved. In this connection, it is imperative that lines of authority in the organization be recognized.

Step IV—*follow-up*—is the most im-

portant one. It is imperative to check on the corrective action which has been taken and, further, to emphasize the need of such action when necessary.

A very important part of the follow-up is to *evaluate* the results. What ef-

fect have the actions taken had on the accident record? Have the proposals improved operations? Any unsatisfactory answers would certainly indicate the need for further study to determine what additions or revisions might be necessary.

—A. A. HANSEN (Supervising Engineer, Hartford Accident and Indemnity Co.)
Plant Administration, August, 1951, p. 64:4.

"Value Tests" for the Purchasing Department: A Checklist

IS THE PURCHASING DEPARTMENT getting full "value received"? As an aid in keeping itself economy and value-conscious, the purchasing department of the General Electric Company has compiled a checklist, which constitutes the basis of a "value analysis" program in the organization. Every material, every part, every operation must pass these tests:

1. Does its use contribute value?
2. Is its cost proportionate to its usefulness?
3. Does it need all of its features?
4. Is there anything better for the intended use?
5. Can a usable part be made by a lower cost method?
6. Can a standard part be found which will be usable?
7. Is it made on proper tooling, considering quantities used?
8. Do material, reasonable labor, overhead, and profit total its cost?
9. Will another dependable supplier provide it for less?
10. Is anyone buying it for less?

A random selection of 10 representative examples of value analysis illustrating the application of each of these tests—eliminating a chamfering operation on a steel disc, making a hub assembly as a one-piece casting instead of a two-part riveted assembly, using a standard stud for a contact point instead of a special design, etc.—showed average savings of 57 per cent on these 10 parts. The savings ranged from 15 per cent to 100 per cent.

—STUART F. HEINRITZ in an address before the Annual Fall Conference of the Society for the Advancement of Management

A FOUR-PAGE PAMPHLET, *List of Basic Materials and Alternates*, which classifies approximately 550 materials according to their present availability is now available at all Department of Commerce field offices. This list was published by NPA as a guide for procurement and substitution of materials for the Armed Forces, Government agencies, and private business.

—*Michigan Business Review* 9/51

AMA FALL PRODUCTION CONFERENCE

The Fall Production Conference of the American Management Association will be held on Thursday and Friday, November 8-9, at the Palmer House, Chicago.

SOLVING THE PROBLEM OF SUBSTITUTES

MANY MANUFACTURERS still haven't been hit hard enough by shortages to start a search for substitutes. But the sharp cutbacks in recent allotments of steel, copper, and aluminum signal the need to get started on a substitutes program if you haven't already done so. The following approach was used successfully in the last war and is paying off for many companies today:

1. *Analyze your product for materials-saving possibilities before starting on substitutes.* Can any parts be combined to save material? Would another method of fabrication cut scrap loss? Could you reduce the size of individual units to stretch materials? Such a review will help you figure the extent to which substitution may be necessary. Some companies have found less need for substitutes than at first seemed necessary.

2. *Look for two or three alternates.* Unlike World War II when the production pattern was well established, availability of materials will shift as our current mobilization progresses. Government stockpiling, new capacity, and shifts in defense production will make flexibility in use of materials an important factor in terms of competition and profit. However, don't limit a search for alternates to well-known materials. First draw up minimum specifications for the parts in-

involved. Then write to your trade association for ideas, press your suppliers for recommendations, and don't overlook equipment suppliers. A good starting point in your search for substitutes is "List of Basic Materials and Alternates," available from the Salvage and Reclamation Division, NPA, Washington, D. C.

3. *Experiment with alternate materials well before you have to use them.* Plastics people still get red when they remember the World War II tea strainer that melted under boiling water.

Also, in view of price ceilings, you may find yourself costed out of production if you don't make a thorough pilot run to check manufacturing problems. This is particularly true if you don't substantially change the product. Under OPS rules, a manufacturer cannot raise his ceiling if use of substitute materials results in only minor changes in design and construction.

4. *Study consumer acceptance of substitutes to see if restyling is necessary.* Many of the substitute-using products failed during World War II because consumers considered them "ersatz" and a poor imitation of the original. If you're considering a material or finish that makes the product look different, it may require a complete restyling to meet consumers' ideas of what constitutes quality.

—Operations Report (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), September 11, 1951.

NOISE REDUCTION IMPROVES PRODUCTIVITY

A LARGE DEFENSE plant recently installed a new type of intermittent stamping machine. Shortly after the machine had been installed, the shop foreman began to notice a drop in the morale of his group. Only after much research was it discovered that

the trouble was due to the nature rather than the intensity of the noise caused by the new machine. Corrective measures very quickly restored the shop to its original level of efficiency.

A recent study has shown that steady

or expected noises do not adversely affect psycho-motor activity to any significant extent. In fact, steady noise may "insulate" a person from intermittent distractions and may actually permit him to carry out specific tasks more efficiently than he would in the absence of such noise. However, intermittent noises, which literally make the worker "jump" and keep him on edge against a recurrence of the sudden impact on his ear drums, are a significant hazard to plant morale.

Nevertheless, there is a limit to the loudness level of even steady noises which can be considered bearable. One can no longer speak of comfortable working conditions when the noise intensity exceeds 90 decibels—about the loudness of a shout at a distance of five feet. According to an investigation by Dr. Kryter, 50 per cent of subjects exposed to such intense noise felt that continued exposure tended to make them irritable and to reduce their efficiency below its normal level. The tolerable noise level is, furthermore, tied intimately to the nature of the work. A loud shop tends to interfere with ordinary speech. Where such communication is an essential part of the work performance, sound energy even below the level of "discomfort" may result in a serious breakdown in team work and smooth functioning. Here, too, however, habit will raise the permissible loudness.

One study reports that of a sample of 175 men exposed daily to very high-level industrial noise, 45 per cent retained normal hearing, in some instances after 10 years of exposure; on the other hand, 23 per cent displayed severe loss of hearing in both ears after only a few months of

exposure. Such deafness is sometimes temporary, sometimes permanent, depending on the energy level of the sound and on the time of exposure. Also, it is often confined to the predominant pitch of the factory noise, i.e., the patient's hearing for tones of considerably higher or lower pitch is substantially unimpaired.

Actually, there is an optimum pitch in the neighborhood of 4-600 cycles per second (about the level of an alto voice). In this region, the average worker can be exposed to a tone intensity of 130 decibels before he begins to observe actual pain in his ears. Such noise conditions are associated with pneumatic hammers.

More objectionable is the high pitch of a slipping belt, which is in the frequency range of 4,000 cycles per second. The pain level in such operations is reached at intensities as low as 100 decibels. The same low pain level is observed at the other end of the sound spectrum—for example, in the hum of a heavy motor, in which a frequency of about 60 cycles per second predominates.

In the majority of cases, the solution to this type of industrial morale problem rests in the application of sound engineering to effect abatement, or at least reduction, of noise to the point where it no longer affects the comfort of the workers. That considerable improvements in noise level can be achieved has been amply demonstrated by the vast improvements on this score in aircraft and street-car design, and in other situations where the customer simply demands an adequate solution. Improvement in the morale and efficiency of the working force will readily repay investment in good sound engineering financially as well as in terms of better labor relations.

—PETER W. SHERWOOD. *Manufacturing and Industrial Engineering*, August, 1951, p. 20:2.

WITH an eight-month cumulative total of \$2,876,000,000, industrial construction is now 217 per cent above the mark set in the same period last year, according to *Engineering News-Record*.

Getting in the Scrap

A SEARCH for dormant iron and steel scrap, vitally needed for defense production, is under way in scores of plants throughout the United States.

The drive is spurred by the steel foundry and scrap industries as current supplies of heavy industrial scrap have fallen to a dangerously low level.

This effort is aimed at management and administrative officials who are in a position to make policy decisions which will assure quick action on (1) the collection of heavy random scrap; and (2) the writing off of idle, obsolete machinery and other equipment.

District sales managers of steel companies are directing their salesmen to emphasize to customers the importance of promptly moving production scrap to mills through normal channels, that is, through scrap dealers, and of cleaning out dormant scrap. Steel warehouse salesmen are making similar appeals to their customers.

The tremendous rate of steel production both in America and throughout the world is a vital factor in the scrap shortage. A total of 29,402,000 gross tons of purchased scrap was used by steel plants and foundries last year. The estimate for this year is 32,500,000, and as much as 35,500,000 may be required in 1952.

The currently tight supply of scrap also stems from the bad weather last winter. Scrap is normally less during the winter months when the weather impedes the preparation of scrap for marketing. Thus steel mills not only require additional scrap for immediate consumption but for building an inventory to carry them through the winter.

—*Dun's Review* 8/51

New Findings from Motion-Study Research

THE TIME REQUIRED for right-hand motions is essentially the same as for left-hand motions, said Mr. Dickey Dyer in a recent address before the Second Annual Convention of the American Institute of Industrial Engineers.

"New research," Mr. Dyer revealed, "also shows that, contrary to common belief, individual motion times are not generally different when performed by one hand with the other idle or when performed with both hands in motion. However, when elements of work, such as complex grasp, pre-positions, and assemblies are performed simultaneously, generally there is an increase in time."

He said that the following factors, which can be easily isolated and accounted for, contribute to this increase in time: actual changes in motion pattern and distance; increases in fumbles and separating motions when grasping and in alignments during assembly; and when physical and visual limitations prohibit some motions from being performed simultaneously but require that they be done in sequence.

"Another significant factor when performing work simultaneously," Dyer continued, "is the time lost in keeping right- and left-hand motion patterns in phase. When work is exactly the same in every cycle there is little loss, but when the work involves motions that occur on a random, average, or percentage basis, the time lost is significant."

—*Advanced Management* 8/51

Selection of Time-Study Men

AT PROCTOR & SCHWARTZ, INC., applicants for time-study positions, who are largely recruited from within the company, are first screened by the personnel department in order to dissuade those who obviously would not qualify from taking the tests. However, questionable cases are given the maximum opportunity.

The following tests are administered: (1) Otis Employment Test No. 2-B, World Book Company; (2) Test of Mechanical Comprehension Form AA—Geo.

B. Bennett, The Psychological Corporation; and (3) Arithmetic Reasoning, by B. V. Moore, Penn State College.

At first, the results of these tests were compared with other companies because of lack of comparative data. After giving a number of these tests, the company is now able to make actual comparisons with results from men who have been in the time-study department for several years and have proved their abilities.

After being tested, the applicant is carefully interviewed by the head of the time-study department and the chief methods or industrial engineer, who evaluate his personality, honesty, orderliness, alertness, aggressiveness, tolerance, his ability to express himself, and the highly important qualification, his judgment. The results of the tests and interviews are then tabulated and the top men chosen from those meeting the minimum requirements.

Those not accepted for the openings are written a letter of explanation designed to minimize their discouragement at not being selected, and to give them an opportunity to improve themselves in the qualities in which they got low ratings.

Also Recommended • • •

MEASURING MACHINE OPERATING TIME REVEALS SOME REAL PRODUCTION COSTS. By Geoffrey Newell. *Manufacturing and Industrial Engineering* (73 Richmond Street West, Toronto 1, Canada), August, 1951. The use of time recorders which measure the producing time of equipment helps to place cost accounting on a sound basis, and removes many of the causes of disagreement in labor relations. The author describes the operation of mechanical and electrical measuring devices which are applicable to all industries, and which are particularly useful in highly organized and partly automatic operations.

HOW KAISER-FRAZER SAVES TIME IN PRODUCTION PLANNING. By Dwight G. Baird. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1951. A new development in scale-model layouts for production planning has enabled Kaiser-Frazer Corporation to save thousands of man-hours and months of drawing board time in converting its Willow Run plant to production of airplanes and automobiles. This article describes a "grid-sheet" process, used in conjunction with three-dimensional scale plant layouts, which constitutes the major time-saving feature of this procedure.

INCENTIVE DOUBLED OUR MAINTENANCE OUTPUT. By Palmer Bliss. *Proceedings, Annual Fall Conference on Principles, Methods and Techniques for Increasing Productivity, Reducing Costs and Improving Human Relations.* Society for the Advancement of Management (84 William Street, New York), 1951. 212 pages. \$5.00. The steps involved in establishing this wage incentive system for maintenance men are: (1) proper classifica-

tion of all elements of maintenance work; (2) setting up of an arbitrary scale of standard minutes to credit for actual minutes spent on short, non-repetitive maintenance jobs; (3) training men with either shop or time study experience to apply the standards. The system results in better performance and lower cost for the company, says the author, and provides more take-home pay for the maintenance worker.

A QUALITY CONTROL PROGRAM MIGHT BE THE MOST IMPORTANT PROJECT TO START NOW. By Keith W. Kingsland. *Manufacturing and Industrial Engineering* (73 Richmond Street West, Toronto 1, Canada), August, 1951. A quality control program incorporating a thorough-going training plan can help to meet precision production requirements economically, even when skilled workers are scarce. The author describes in detail the necessary steps to be taken in setting up such a program in any continuous process industry.

DESIGN FOR A METHODS TRAINING COURSE. By Ralph M. Barnes. *Proceedings of The Fifth Annual Time Study and Methods Conference.* (Society for Advancement of Management, 84 William Street, New York, N. Y.), 142 pages. \$5.00 (S.A.M. members \$3.00). Discusses a program for placing the tools of motion study in the hands of those who supervise, direct, and manage, as well as those who actually do the work. A program of this kind, the author observes, results in increased production, greater satisfactions on the job, and better understanding on the part of management and labor that they are both working for the same goal.

THE SELECTION OF SALES ENGINEERS

BROADLY SPEAKING, the qualifications of a successful sales engineer can be divided into three groups: personality, product and application know-how, and, finally, salesmanship know-how. All three kinds of attributes are about equal in significance in the selection of sales engineering candidates.

The selection plan should by no means be considered a routine assignment to be handled entirely by the personnel department. Our experience at Minneapolis-Honeywell (where instrument salesmen must do a *creative selling job*) indicates that it takes about two years to develop a new man to the point where he produces enough business to more than pay his way and to make a little profit for the company. It usually requires a minimum of one year (more often two) to determine whether or not a new man will ultimately be successful, whether we have made a wise selection, and whether he has chosen the right profession. It costs between \$7,500 and \$10,000 to carry a man through this period—and this can be a total loss if the man does not work out satisfactorily. Certainly we must think carefully before we make such an investment.

The selection tools which we have found helpful include the application blank, the patterned interview form, reference and scholastic checks, a retail credit check, and aptitude tests.

The application blank should contain all the information about an applicant which you consider essential for your purposes. This information should be arranged conveniently to enable you rapidly to check off the major points of

qualification and thus to determine whether a comprehensive personal interview is warranted. A photograph or a snapshot is a "must." The application should serve as a preliminary screening means, and we usually supplement this with a brief interview in our personnel department to confirm whether or not the man is a sufficiently good prospect to warrant taking the time of others for more comprehensive interviews.

The patterned interview form is in effect an interviewer's guide to make sure that he follows a consistent pattern of questions and that he does not overlook any important points. We consider it absolutely essential to have not less than three people from the sales department interview each applicant. The interviewers record their impressions and compare notes following the interviews. If the majority of the impressions are favorable, an appointment is made to have the applicant take a battery of aptitude tests.

The tests that we are using currently require a total of about a half day to administer. In general, they attempt to check three things: *abilities*, as in the Otis Test and the Engineering Aptitude and the Vocabulary Test; *interests*, as in Strong's Interests Tests; and *personality traits*, as in the Social Preference and Social Behavior Tests, and the Multiphasic Inventory. Considerable judgment must be used in interpreting the test results, as these tests are by no means infallible.

We attach considerable importance to reference checks and scholastic checks. Where a man has indicated previous employment, we have found it well worth

while to telephone his employment references and ask specific questions about his record and personality traits. Written reference checks have limited value, since the average reference will be reluctant to put negative comments about a man in writing. The retail credit check is another simple selection tool which can bring to light such undesirable things as a poor credit record, a prison record,

tendencies towards alcoholism, and unsatisfactory marital or family history. These latter two checks will do more towards verifying a man's industriousness and integrity than any aptitude test could hope to do.

We have found that with this kind of program, our batting average in selecting salesmen has improved steadily.

—From an address by W. H. STEINKAMP (Field Sales Manager, Minneapolis-Honeywell Regulator Company, Brown Instruments Division) before the Scientific Apparatus Makers Association.

Foreign Trade Zones Cut Costs

AN UPSURGE of activity was reported recently at all U. S. Foreign Trade Zones—the enclosed areas within which goods can be stored, processed, exhibited, and manufactured completely free of customs regulations. Zones are now located in six cities—New York, New Orleans, San Francisco, Los Angeles, Seattle, and San Antonio.

This increased activity is due to the over-all expansion of U. S. foreign trade and to last year's liberalization of the law to authorize exhibiting of foreign products and manufacturing operations in the zones.

If you export, the zones may cut red tape and help you avoid tying up capital in customs duties and excises. For instance, if you export domestic products subject to manufacturers' excise taxes, you may transfer your exports to a Foreign Trade Zone without paying such levies. If you import, use of the zones can reduce your financing and insurance costs and stretch your capital further.

In addition, storage receipts issued by the zones may be used to secure loans and advances from banks and other financial institutions. This can give your business capital more leverage.

The new authorization to exhibit foreign goods and maintain showrooms in Foreign Trade Zones is expected to boost imports. Since stock held in a zone remains free from duty, taxes, and customs red tape, the importer can fill orders and reorders quickly from readily available inventory. Also, duties don't have to be paid on imported materials wasted in the manufacturing operation.

—*Foreign Report* (Research Institute of America, 292 Madison Avenue, New York 17, N. Y.) 9/19/51

Business Paper Advertising Most Economical, Study Shows

BUSINESS MEN are reached at lower cost by business paper advertising than by any other media, according to McGraw-Hill Publishing Company and 18 industrial advertisers who cooperated in conducting a readership study of 42,878 administrative, production, and other industrial personnel.

Results showed that a company can buy a page in 19 business papers at a total expenditure of \$10,426 to reach 87 per cent of the men reached by the survey. But this company must spend \$11,760 for a page in an unnamed consumer magazine to reach 19 per cent of the men reached by the survey.

The average number of publications read per man was 5.2.

Respondents were asked what publications they read. Business papers led the field in the number of mentions. Of 224,625 mentions, 62 per cent were of business papers, 31 per cent of consumer publications, 0.5 per cent of farm papers, and 6.5 per cent of miscellaneous publications not listed by Standard Rate & Data Service.

—*Industrial Marketing* 8/51

SEVEN WAYS TO HOUSECLEAN TODAY'S MAILING LISTS

THIRTY TO 40 per cent of the direct mail advertising appropriation is being wasted today on duplications and sub-marginal prospects. Surely it must be worth a little work and a little expense to recover this loss either as profit or as available money for productive use in other sales promotional activities. Savings of 25 or 35 per cent are often easy, and savings of 50 or even 70 per cent are not impossible if you make a serious try at keeping your mailing lists accurate and complete. Here is a list of steps to help you clean up your mailing lists and keep them that way:

1. *Card System.* Cleaning up duplications is tedious, but that is all. When your lists are on stencils or plates, have them run off on 5x3" cards. In this form, they are comparatively easy to handle.

Using a MultiSort or similar device or even the top of a table, you can sort them geographically and alphabetically and inspect them for duplications and minor discrepancies in addresses, initials, names, and titles.

2. *Directory Check.* The above savings are only a beginning. The next step is a directory check. This is particularly important in dealer lists—paint dealers, hardware stores, or the like—where errors are usually rife.

Dun & Bradstreet is my usual first choice, and I view with suspicion the names which are unlisted. Dealers have a fondness for doing business as "The World Hardware" or some such high sounding name. Hence they often get on mailing lists under such titles and also as J. J. Jones with an H-4 rating.

After the preliminary clean-up, such duplications are removed by putting the rated and classified list on punch cards and sorting these by town, street, and street number. This brings together dupli-

cates in which the business is one but the styles are multiple.

3. *Expansion.* At this point, it may be smart to turn away temporarily from the cleaning-up operation to the expansion problem. In U. S. Census and Old Age and Survivors Insurance reports, one has at least a crude listing of establishments by number of employees, by county and by other classifications. From industrial or even telephone directories and the partially cleaned list, you can usually fill in missing company names and addresses.

4. *New Card Check.* The next step is to send the duplications to the direct mail department with instructions to eliminate them. Then, while a moratorium on additions other than those picked up from directories is in effect, you run off a new set of cards. This is compared with the master list to eliminate discrepancies.

5. *Sales Staff Check.* Next, send the cards to the branch or district offices for audit and verification. The salesmen, under the supervision of their managers, must be enlisted to make sure that initials, spellings, titles, and addresses are correct. They should also verify the important indexes of buying power, such as connected horsepower, electric motors installed, or whatever is relevant.

6. *Group Revision.* When the cards are returned to the home office, the salesmen's changes should be noted on the original cards. Sort these into three groups. The first includes the cards that are complete and correct. The second is the group of cards requiring corrections or additions of information to the stencils or address plates. The third is the group of cards representing unprofitable customers and prospects. Make the changes,

run off a corrected set of cards and return them to the clean-up supervisor—the research director, advertising or sales promotion manager, or whoever is doing the job.

7. *Follow-Up.* So much for the top-to-bottom spring housecleaning. The mail-

—WILLARD M. FOX. *Industrial Marketing*, August, 1951, p. 33:3.

SALES MANAGERS ADOPT NEW ALLOCATION POLICIES

WHAT TYPES OF allocation systems are now being established to meet current or impending shortages of goods?

There seems to be no general pattern as to the type of company that is allocating goods now, according to a recent *Printers' Ink* survey—with the one natural exception that more hard goods manufacturers than soft goods manufacturers are in short supply and must allocate. Out of the allocation plans described by those participating in the survey, however, two general patterns emerge. One of these is designed from the customers' point of view, the other from the angle of the company that is allocating. In one class, the objective is to take just as good care as possible of distributors and retailers, to do everything possible to keep them in business at a profit, and to be fair to all. In the other class, the objective is to get as good a deal as possible out of the situation, allocating the bulk of the merchandise closer to home to cut freight costs, allocating to favored customers or playing off the old customers that are certain to return later to the fold and going out after new business that couldn't be had before.

By far the greater part of the companies participating in the survey favor the type of operation in which the customer's point of view is held uppermost. They are building a backlog of good-will, investing in a valuable intangible that

ing list, for the moment, is what it should be. However, it will not stay that way unless a routine is set up under competent supervision that has internal checks and checks to the sales control record for controlling additions to and deletions from the mailing list.

they know from pre-war experience they cannot buy—except in advance of the time they will need it.

One of the most frequently mentioned differences in the way allocation plans are set up now as opposed to during World War II is the base. During the war, the base was sales volume per area and per customer just before our sudden declaration of war. Now the base period against which allocations are projected may be any year from 1941 to 1950. The rule is to pick the most recent year that approximates normal. In many cases the concerns have been in a buyer's market for at least a short period and have had a chance to reevaluate potentials and percentage requirements since the war.

The following capsuled comments show how typical companies are handling the problem:

Building supply manufacturer, on allocation since the end of 1950: "We are using as our allocation base the 18-month period from January 1, 1949, to June 30, 1950. We make exceptions, however, in order to take care of extra demand in those areas that are most active in the defense program."

Manufacturer of household equipment, one of whose post-war products went on allocation January 1, 1951: "We estimate expected production for 30 days in advance for this product, then break it down by territory, then by customer, with a small reserve kept in each territory to take care of unusual circumstances. This is the same system we used during World War II on another product."

Manufacturer of rubber goods, on allocation since July 1950: "We allocate on the basis of average purchases during the first six months

of 1950. Exceptions are made for long-term accounts."

Food manufacturer, now allocating four items: "We are allotting each of our branches a proportionate share of available stock based on sales from May 1, 1950, to December 31, 1950. Amounts available for shipments from branch warehouses to small buyers and amounts to be shipped direct from factories to chains and supers are broken down as to amount. This is done to insure fair allotments to both large and small customers."

Tool manufacturer, on allocation since last fall: "We allocate in accordance with the pro-

—*Printers' Ink*, May 18, 1951, p. 29:3.

portion of previous sales to each customer. Then we ship at 60-day intervals only one-sixth of the allotment for any one customer for the year. This keeps them from selling themselves out of business too far in advance."

Another decision that allocators have to make is how far to go in dictating the allocation policies of branch offices, distributors and individual salesmen. Most companies prefer to establish a policy and then keep hands off. They trust their field organizations to follow through on the job. But they make sure that local representatives know that the company means business about allocating scarce merchandise fairly.

Techniques of Closing the Sale

MANY VETERAN SALESMEN frequently use the assumptive technique—that is, they assume that the prospect will buy and guide the conversation accordingly. When the salesman discusses the product as though it were already sold, the prospect is apt to begin thinking along the same lines. Often he can get the prospect to agree on some minor point, a method which eases the buyer over the threshold of what might otherwise be a difficult decision.

The "rush act"—a statement such as, "There is a shortage of this particular model"—often provides the necessary impetus. Salesmen who are selling high-priced goods get action by "reversing the field" in the middle of the interview. While the prospect is pondering, the salesman will interject a remark such as, "Perhaps you would like to look at something a little less expensive." Inducements also help to get the name on the dotted line, while the narrative technique—a story about another prospect in the same circumstances—works on the principle that people like to confirm their judgment by doing what others do.

—*Western Business* 7/51

Food Stores 23 Per Cent of U. S. Trade

STANDARD RATE & DATA SERVICE has released the following estimates of U. S. trade in dollars for 1950, as follows:

Classification	Dollar Sales	% of Total
U. S. Total	\$147,141,000,000	100.00
Food Stores	34,967,000,000	23.76
Automotive	24,711,000,000	16.79
General Merchandise	19,009,000,000	12.92
Building Material—Hardware	11,765,000,000	8.00
Eating-Drinking Places	11,650,000,000	7.92
Apparel Stores	10,627,000,000	7.22
Home Furnishing Stores	7,651,000,000	5.20
Filling Stations	7,337,000,000	4.99
Drug Stores	4,549,000,000	3.09
All Other	14,875,000,000	10.11

—*News Letter* (The Dartnell Corporation)

TREND IN WHOLESALING: Merchant wholesalers in 1939 made only 24 per cent of their sales to industrial users, but in 1948 this figure was upped to 32 per cent.

—*Sales Management* 7/15/51

HOW TO GET THE MOST OUT OF YOUR ADVERTISING AGENCY

YOU'VE SELECTED the agency you believe is right. You like the people. You like what you've heard and seen about them. Now if they really produce, your sales figures are likely to look better. What are you going to do about it? Here are 10 simple, common sense ways to make the agency a better member of your team:

1. *Give the agency the information it needs to work with.* Discretion is a virtue. But being close-mouthed about your company's sales figures, operating policies, competitive position, and price structure, is like refusing to tell the dentist which teeth hurt. If you can't trust your agent with confidential information, you are foolish to trust him with your advertising.

2. *Define your advertising objectives and stick to them.* Backing and filling on advertising plans—or, just as frequently, having no plan at all—invites waste, extravagance, and errors. Define long-range objectives in order to limit your problem to something your agent can get his teeth into. But while you're at it, set reasonable goals. Impossible quotas for advertising are discouraging in precisely the same way that absurd goals take the heart out of your sales force.

3. *Define responsibilities in working with the agency and limit them.* You wouldn't make your salesman get an okay on every order from half a dozen executives. Don't expect your agent to. Besides wilting his spirit and destroying the creative morale of the agency, you water down good selling ideas with compromises. If the copy is wrong, let the agency contact man take it back to the writers and let them re-do it. More bad copy probably has been written at the conference table by the president, sales manager, and agency contact man than by agency cubs.

Defining responsibilities carefully also means deciding in advance who is to do

what in the company, as well as the agency. Make quite clear what policy procedures have to be taken up with the board or president. But make sure they're confined to policy. If you have an advertising manager, his okay on details should suffice—or you aren't delegating authority as you should.

4. *Develop a copy platform and stick to it.* Reduce to writing the essential pattern of your advertising copy—what it must and must not contain. The copy policy or platform should make clear the style, content, and standard practice for all campaigns and series. You can eliminate most of those wrangles over copy every time a new advertisement is submitted if you will only take the trouble to reconcile individual views at the start.

5. *Sell all hands in the agency on your company.* It's primary sales management technique to sell your employees, salesmen, and dealers on your company, its products, and its policies. How about the people at the agency? Do you call up the agency art director and compliment him on a fine piece of work? Or do you figure that only the wheel that squeaks the loudest gets the grease? That theory is fine if grease is what you want. If you want sparkling enthusiasm and extra ideas, another technique is required.

6. *Keep the agency informed—in advance.* Do you make commitments and then tell the agency? Do you plan events ahead, then give the agency the rush act at the last minute? Then you can't blame them if their work is sloppy, late, expensive, or if there are errors.

7. *Are you open-minded to new ideas?* One of the most valuable things an agency has to contribute is an outside viewpoint. You're inviting incest if you hammer the agency's representative into line with all of your own views down to the last detail.

8. *Have written do's and don'ts.* Don't waste your time quibbling every month over details of the invoice. Arrange early to brief the bookkeeping department, the agency people, all concerned on what must and must not be done on everything from conferences to monthly statements. It saves time and money.

9. *Have a budget and stick to it.* Give the agency an expense account by categories. Let them agree to live within it, and you won't have to supervise their spending of every nickel of the allowance. At periodic intervals, arrange to audit the agency's records, if you wish, but don't kill time over every monthly statement. If you do have reason to be suspicious of bills, straighten out the situation or get another agent—fast!

10. *And let it be known you're not*

open to solicitation. Some advertisers take this attitude toward their agency: "We're not married. We're always open to a good idea from anybody." No, they're not married, but they won't get matrimonial devotion, either. How would you feel as sales manager if your boss was always willing to entertain applicants for *your* job? Quit thinking of the agency as some special animal. The agent is a consultant like your lawyer, engineer, or accountant and as such is entitled to your respect and confidence. The agent is also an employee, in a sense, and entitled to loyalty, consideration, and proper compensation.

Sales managers who handle their agency relations on this level do not have to wait for their reward in heaven. They can see it mirrored in happier working relationships—above all in tangible sales results.

—ALFRED H. EDELSON. *Sales Management*, July 15, 1951, p. 78:2.

Get the Rabbit Habit!

BANKERS LIFE INSURANCE COMPANY OF NEBRASKA, Lincoln, Nebraska has come up with one of the best promotional ideas of the year, applicable to many fields of endeavor other than insurance.

Briefly, the agents of Bankers Life are being urged to join a "Rabbit Habit Campaign" in which prize-winning points are offered to those who succeed in getting one prospect to give them names of three other prospects, who each in turn give three more names, who each in turn, etc. In other words, one prospect changes, in four phases of multiplication, into 121 prospects.

Here's how the editor of the company's house organ introduced the Rabbit Habit Campaign:

"Spouse you had a rabbit—and it met another rabbit. What happens? Pretty soon you're up to your knees in rabbits. Why? — It's simple!! Rabbits have learned to multiply.

"Spouse you are a life insurance salesman—and you meet a prospect. What happens? — Pretty soon you are up to your knees in prospects. Why? — It's simple!! If you have learned to multiply!!

"Get the Rabbit Habit" is just another way of saying: "get new prospects from every prospect you contact." It is an old technique; as old as selling itself. It is known by many different names . . . such as the "Endless Chain" method, "Centers of Influence" method, "Referred Leads" method, "Client Approval" method, etc. But, by any name, it all means the same thing: getting names of new prospects from old prospects, i.e.,—multiplying one prospect by the number of new prospects you can get from him.

The stunt may be unconventional—but everybody knows about rabbits. So, why not?

—*The Reporter of Direct Mail Advertising* 8/51

Also Recommended . . .

YOUR COMPETITION—WHAT TO KNOW ABOUT IT—HOW TO FIND OUT. By J. R. Sargent. *Industrial Marketing* (200 E. Illinois Street, Chicago 11, Ill.), August, 1951. This condensation of a talk given at the NIAA conference presents five facts and five sources that will be helpful in developing marketing counter strategy and perspective. The author also points out that managements with broad perspective often feel that it is better to have competitors enter their business on a friendly, well-informed basis than to foster a dog-eat-dog attitude.

SALES FORCE MANAGEMENT DURING MOBILIZATION: World War II Experience and Plans for the Current Defense Period. *NAM News* (14 West 49 Street, New York, N. Y.), June 30, 1951. This report analyzes the "mobilization period" sales policies of 83 firms representing all major industry groups and covers the World War II experiences of industry in general, of consumer goods manufacturers as contrasted with industrial goods manufacturers, and of individual industries. Also presented are comments of sales executives on current plans as modified since the beginning of the Korean war. Ninety-three per cent of the respondents believe that their World War II sales policies proved satisfactory during the war period, and 91 per cent believe that these policies were also satisfactory from the standpoint of postwar transition.

SOME OF THE FACTORS TO EVALUATE IN SELECTING AN ADVERTISING AGENCY. *Marketing* (119 York Street, Toronto), 2nd Section, April 28, 1951. This article provides new advisers with a yardstick for measuring their advertising needs and the "equipment" that agencies under consideration would use to serve these needs. All who were interviewed in the study on which this check list is based agreed that close liaison between the agency and the client's top executives will mean the difference between failure and success.

ANTI-SELLING ORDINANCES THREATEN ALL BUSINESS. By Eugene Whitmore. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1951. The recent Supreme Court decision upholding the constitutionality of the "Green River" ordinances, which make it illegal to solicit business in homes without a prior invitation from the owner, has given rise to a warning by the author that similar legislation may be aimed at other forms of selling. He examines the widespread importance of door-to-door selling and points out that this ruling which attempts to drag salesmen down to the legal category of "housebreakers, chicken thieves, and night prowlers," can be extremely harmful.

PRODUCT DIVERSIFICATION AND THE PUBLIC INTEREST. By Kenneth R. Andrews. *Harvard Business Review* (Gallatin House, Soldiers Field, Boston 63, Mass.), July, 1951. The author points out that most decisions to diversify products are motivated by socially desirable objectives of business survival, growth, and stability, rather than by a desire to destroy competition and create monopoly, as critics of product diversification have claimed. The author contributes a critical appraisal of what business as well as government can do to increase the value of diversification to the economy.

WHAT DO DISTRIBUTION COSTS COST YOU? By C. B. Taylor. *Cost and Management* (66 King Street, E. Hamilton, Ontario) Vol. XXV, No. 1. The case history presented in this article illustrates the principle of selective selling and sets forth a procedure for applying the same cost techniques to the distribution field as are used in production. As a result of the plan described, the per order cost in one division was reduced from \$3.14 to \$2.87 within a period of six months.

HOW TO PAY YOUR SALESMEN IN TODAY'S CHANGED CONDITIONS. By Robert F. Dick. *Industrial Marketing* (200 E. Illinois Street, Chicago 11, Ill.), August, 1951. Though protective devices such as ceilings on salesmen's salaries are objectionable because they defeat the logic of incentives, we can hardly avoid them during current conditions, according to the author. He suggests the steps to be taken in devising a plan that has flexibility and meets basic requirements.

HOW DIRECT MAIL FITS IN THE INDUSTRIAL ADVERTISING PICTURE. By John D. Yeck. *The Reporter of Direct Mail Advertising* (53½ Hilton Avenue, Garden City, N. Y.), July, 1951. The author cites seven uses for direct mail in industry to prove his point that correct advertising never costs money—it makes money. However, in direct mail you control your own "circulation" and, therefore, a great deal depends on the building of good lists which requires constant attention, the author points out.

COMMUNICATION IN A MARKETING SYSTEM. *Cost and Profit Outlook* (Alderson & Sessions, 1401 Walnut Street, Philadelphia 2, Penna.), August, 1951. The author makes a plea for placing the subject of communications in its proper place as a factor contributing to the efficiency of business operations rather than regarding it as the primary purpose for which business enterprise exists. The need for establishing two-way communication within the framework of marketing operations is stressed.

Financial Management

THE IDEAL FINANCIAL POLICY: A CREDIT MAN'S VIEWS

WHAT is the ideal financial policy? In my opinion, there are three basic principles which comprise such a policy:

The first of these concerns fixed assets and may be stated as follows: "The net fixed assets of a company should be in proper relationship to its tangible net worth."

What should this relationship be? There is no specific answer to that question. At one end, you have the jobbers and at the other the manufacturers. The former may not require more than 5 per cent or 10 per cent, assuming they rent the premises; the latter may have as much as 65 per cent of their tangible net worth invested in capital assets.

A violation of this fundamental policy occurs when a company has invested too large a portion of its capital in fixed assets, thus tending to absorb the liquid capital which should be utilized for financing the day-to-day operations of the business. Furthermore, an excessive investment in fixed assets tends to build up productive capacity and its attendant expenses, thus raising the breakeven point to a level that cannot be maintained should sales drop off.

The second major fundamental has to do with working capital and can be expressed thus: "The working capital of an enterprise should be in proper relation to sales."

A violation of this fundamental occurs when a company transacts a larger sales volume than its working capital will support comfortably. An increase in sales invariably means that larger inventories and receivables are carried; heavier forward commitments are necessary; and

more employees are required to sell the output, to manufacture it, and to handle internal details of the business. Unless working capital is increased in line with sales, the stresses become too great and the company becomes vulnerable to any unexpected unfavorable developments.

Now to return to the first fundamental. How often have we seen companies build up their plant investment to handle a volume which seemed readily available; the management was so absorbed in potentially larger profits from expanded sales volume that it considered effects only upon its profit and loss accounts and not on its balance sheet. When the plant expansion was completed, it found that the fixed assets had absorbed the working capital. Many managements would be saved if, when contemplating a material expansion in fixed assets, they would prepare a balance sheet giving effect to the proposed expansion program.

The third fundamental concerns inventories and may be stated in these words: "A company's investment in inventories should be kept within its working capital."

This means that inventories generally equal around 60 per cent of the working capital. Though inventories can be built up considerably from this usual 60 per cent level without jeopardizing the essential soundness of the company, the danger point arises when they equal 100 per cent. Above 100 per cent, the enterprise becomes vulnerable no matter how actively its inventories are turning.

Exceptions to this rule appeared in 1939 when war broke out and the American business man, realizing that we might be

in the war soon, naturally began to build up his inventories to take care of that contingency.

Of course, there are factors in addition to these three fundamentals which credit men regard as important. For example,

—JOHN C. HAJDUK (Credit Manager, Victor Chemical Works, Chicago, Ill.).
Credit and Financial Management, Vol. 53, No. 1, p. 25:2.

we don't like to see excessive indebtedness or too low a current ratio. However, you will invariably find that such problems are the result rather than the cause of a violation of one or more of these three principles.

Rise in Consumer Income in 1950 Reported

HIGHER LEVELS of production and employment in 1950 raised consumer money income before taxes by 13 billion dollars to about 183 billion, according to the 1951 Survey of Consumer Finances sponsored by the Board of Governors of the Federal Reserve System and conducted by the Survey Research Center of the University of Michigan. Half of the 52 million spending units were estimated to have received higher incomes in 1950 than in 1949, and one-fifth, lower incomes. Increases in income were most frequently reported by people who had been in middle and lower income groups in 1949, though all levels shared in the general rise.

These changes raised the median spending unit income by 11 per cent and the mean income by about 8 per cent. Since rises in prices and in Federal personal income taxes offset only about 2 percentage points of this income increase, there appeared to be a substantial gain in average real income from 1949 to 1950. Rapidly rising prices in the latter part of 1950 and early 1951 caught up with income, however, so that there was little change in average real income between early 1950 and early 1951.

The general upward shift of income in the post-war period has changed the occupational pattern of consumer units with incomes of \$5,000 or more. In 1946, the number of self-employed, managerial, professional, and semi-professional persons with incomes of \$5,000 or more was twice that of skilled and semi-skilled workers and clerical and sales personnel. In 1950, the two groups were about evenly matched in this income class.

The tenth of the population with the highest incomes appear to have received a slightly smaller proportion of total income in 1950 than in any other postwar year. This changed distribution, which reflected the more rapid rate of growth in money income for other tenths of the population, was a major factor in their gain in real income since 1946.

—Federal Reserve Bulletin 8/51

The Big Ten

THE FEDERAL TRADE COMMISSION recently listed the 10 biggest manufacturing corporations in the United States based on their assets (as of 1948). Here they are:

Standard Oil (N. J.)	\$3,526,043,348
General Motors	2,957,769,607
U. S. Steel	2,534,971,836
Standard Oil (Indiana)	1,500,049,488
Socony-Vacuum	1,443,034,000
The Texas Co.	1,277,093,761
Gulf Oil	1,191,004,087
E. I. du Pont de Nemours	1,189,345,419
General Electric	1,177,391,546
Ford	1,149,240,689

—Time 9/24/51

THE ACCOUNTANT'S ROLE IN LABOR RELATIONS

PARTLY BECAUSE OF THE tardy recognition of the importance of collective bargaining and partly because of the accountant's timidity, the aid which he can supply in labor relations has, until quite recently, been sadly conspicuous by its absence. There is a growing trend, however, to fix the responsibility upon the accountant for collecting, analyzing, and reporting financial data which may be used in negotiation.

The success of collective bargaining is almost completely dependent upon the thoroughness of the preparation which precedes it. The accountant has a major role in this endeavor. Perhaps his first responsibility on this score is to be sure that the records are adequate for bargaining preparation. To do this he must endeavor by every means at his disposal to determine likely union and company demands and counter-proposals. Then he must be certain that the books may be relied upon to yield the necessary data. He thus must at all times be several steps ahead of the negotiator and the industrial relations department.

To supplement this careful audit of the records, he must be prepared to do special studies in areas where records are not deemed feasible or financially wise—for example, pension plans, employee benefit programs, seniority, productivity, payment for time not worked, meals, clothing, and the like. However, in both the presentation of data from the permanent records as well as from the special studies, he must constantly check with the negotiator to be sure that the method of presentation fits negotiating requirements.

Other preparation activities are also important. The accountant must develop cost and benefit implications of the present contract and operate as a stop-light

on contract provisions. He must, for example, be prepared to show the effects of proposed wage changes on financial positions in terms of cash balances, working capital, the budget, and breakeven points. He must indicate the profit available at different wage concessions. In this connection, he will probably utilize the breakeven chart to show the impact of cost changes on profits. Thus, on the basis of cost analysis, he must be prepared to indicate to management feasible bargaining limits—one of the most important tasks to be completed in the pre-negotiation period.

Perhaps of lesser significance but still important are the accountant's tasks in actual negotiation. Here the accountant usually assumes one of two roles. He may be a member of the bargaining committee but act in an advisory position only. Or management may look to him to present all of the financial data as well as an interpretation of it. In this latter instance, his role is much more active and significant. In either circumstance, however, he should pay detailed attention to the course of bargaining and reassume during the recess periods his advisory functions.

The accountant's role must also be carried over into the day-by-day labor-management problems. It is in this area that the common law or industrial jurisprudence of labor relations, which is often more significant than the statutory law or labor contract, is created. Thus he should be an observer at all major grievance meetings in order to acquire a better understanding of the operation of the contract. Management may then be advised during recesses or intermissions of grievance settlements which may prove costly. The accountant has also an important part to play when "the third

party" enters labor disputes, or when it becomes necessary to enlist public support for the company's position. The accountant, under such circumstances, must prepare the data and present it in appealing style for publication. Such a task will seriously test his ingenuity.

There still remains one area where the accountant's contributions are most significant. He must endeavor to adopt

practices and techniques which will build good employer-union relationships for the future. This means that he must simplify methods of presentation, eliminate technical jargon, make uniform interpretations of data, and put the financial statement in understandable form. Above all, he should avoid accounting practices which distort the profit or any other aspect of the financial picture.

—C. WILSON RANDLE. *The New York Certified Public Accountant*, September, 1951, p. 595:5.

EFFECTS OF THE EXCESS-PROFITS TAX ON COMPANY OPERATIONS: A SURVEY

THE EXCESS-PROFITS TAX has "so cheapened the dollar and increased the advantages of spending" that it has struck a serious blow at sound business judgment, according to most of the 125 manufacturing companies recently surveyed by the Conference Board. These companies find themselves "fighting the impulse to spend more freely just because the government is paying the bill."

A laxity in expenditures is held to be the natural consequence of high taxes when the prevailing point of view is that "the government is paying most of the bills." Executives add that "it leads to extravagance, wastefulness, and uneconomic operations by permitting expenditures which would normally be considered exorbitant."

Some executives feel there's no such thing as a "cheap" dollar—"because we must earn more of them in order to show a full dollar of final net income," according to one. For that reason, some companies say they are tightening rather than loosening the purse strings.

Despite its dangers, almost half of the executives surveyed hope to gain some advantages from the excess-profits tax law.

Generally, this is an attempt to "salvage as much of the tax dollar as possible, utilizing the gain for long-range improvements in competitive standing rather than for immediate results." These executives expect to increase the amounts spent on items that may be deducted for tax purposes. For the most part, these will include research, new-product development, advertising, and pensions.

Most of the executives surveyed do not expect the excess-profits tax to greatly affect their competitive position, because "all competitors are in the same boat." Others definitely believe that their competitive position will be affected, but to what degree few would hazard a guess.

Generally, it is felt that the excess-profits tax will cause little or no change in pricing and inventory policies. Almost a third, however, report that the tax will cause either the abandonment of contemplated increases in dividend rates or lowered dividends.

Most companies report they contemplate no changes in their inventory valuation methods. Some, however, say they have either changed already or are studying LIFO, "for this may be the more

sensible policy to follow for the long pull, as it provides for more stabilized trends in earnings rather than the up-and-down fluctuations which are generally associated with normal inventory procedure."

Because of the excess-profits tax, some companies are "reviewing the corporate setup to determine whether or not certain changes would be beneficial." However, only a few corporate changes were reported, and in most cases the tax was noted as only one of the factors in the decision to make them. For example, one reported merger of a company and two subsidiaries was "to accomplish certain operating savings and to develop a more

efficient organization. The merger will also result in certain tax savings."

Raising additional needed capital through borrowing has, in the opinion of some executives, certain advantages under the excess-profits tax. Typical of this viewpoint is the comment of one executive: "If we require additional capital we will almost certainly borrow it. We would then get special tax benefits, involving a tax deduction on the interest paid and also a fairly liberal allowance of the borrowed funds as invested capital with a 12 per cent excess-profits tax credit on such invested-capital allowance. These benefits are, of course, available to all companies."

Capital Expenditures in 1951 Approaching \$25.5 Billion

CAPITAL EXPENDITURES by American industry in 1951 may be as high as \$25.5 billion or \$3.6 billion above the estimates made late last year, according to the Conference Board, which noted that the larger part of this expansion can be utilized for peacetime as well as wartime use.

Two shortages are currently slowing up capital goods output and, consequently, rearmament. As reported by Director of Defense Mobilization, Charles Wilson, the first is the shortage of engineers, designers, and draftsmen "who know how to equip and tool plants for manufacturing defense products on a quantity production basis." The second bottleneck is evidenced in the small rise in machine-tool shipments relative to new orders. Factors responsible for this, according to the industry, are unrealistic price ceilings and a shortage of skilled personnel.

The huge capital expansion anticipated raises the question of whether capacity for producing peacetime goods will be excessive after the military buildup is over. All in all, it has been estimated that our capacity for turning out manufactured goods increased by approximately 50 per cent during the period from mid-1940 to mid-1945.

In the year since K-Day, industry has made plans to build \$8.4 billion worth of plant, for which it has applied for certificates of necessity. Nearly 30 per cent of the total is planned for the expansion of iron and steel capacity. Nearly 15 per cent was for the expansion of transportation and storage facilities, but most for transportation. The expansion of chemical, and petroleum facilities and public utility plant was approximately 7 per cent to 9 per cent of the total.

AMA FINANCE CONFERENCE

The Finance Conference of the American Management Association will be held on Thursday and Friday, November 29-30, at The Waldorf-Astoria, New York City.

Fewer People Think Big Business Profits Too High

DOES BIG BUSINESS make too much money? Thirty-eight per cent of those surveyed recently by the Psychological Corporation think so, but 62 per cent think not or are uncertain.

Besides the 38 per cent who answered yes, 28 per cent said "about right," three per cent "too little," and 31 per cent were uncertain. This is quite a change from the 16 per cent who were uncertain when this same question was asked a year ago. At that time, 42 per cent said that big companies were making too much, as against 38 per cent who gave this answer in the current survey.

The latest survey also shows different results for union and non-union families. Forty-six per cent of union families replied too much, while 54 per cent said too little, about right, or were uncertain. Among non-union families, 35 per cent replied too much, while 65 per cent said too little, about right, or were uncertain.

Answers by income levels varied widely. In the highest income group, 28 per cent thought that profits were too high. In the lowest income group it was 42 per cent.

Also Recommended . . .

WHERE'S THE MONEY COMING FROM? *Economic Intelligence* (Chamber of Commerce of the U. S., Washington, D. C.), September, 1951. With the total tax load—federal, state, and local—approaching one-third of the national income, and federal taxes alone close to 25 per cent, it is necessary to have a balanced tax structure which reduces inflation and maximizes work and production incentives. The data cited in this article show the fallacy in the proposal that the middle and upper income groups foot the bill, and point to a broader use of excise taxes.

HOW TO LIVE WITH THE 1950 EXCESS-PROFITS TAX ACT. By Paul D. Seghers. *The Controller*. (1 East 42 Street, New York 17, N. Y.), February, 1951. The purpose of this article is to discuss in a general way the problems and probabilities of living under the present excess-profits tax measure and preparing for what is to come. The author points out, however, that this introduction can be no substitute for a careful reading of the Act itself, particularly of the special relief provisions, application of which may result in large tax savings.

INCOME TAX CONSEQUENCES OF INSURANCE. *Best's Insurance News* (75 Fulton St., New York 38, N. Y.), July, 1951. This, the first of two installments, considers the tax problems which may arise from the settlement of a loss under an ordinary fire policy. The author points out that, in the absence of insurance coverage, both corporations and individuals may deduct any losses arising from fires or other casualties in an amount not in excess of the tax basis of the property.

BUSINESS INVENTORY POLICY. By Herbert Spero. *Credit and Financial Management* (1309 Noble Street, Philadelphia 23, Penna.), September, 1951. The author considers the type of inventory policy that should be followed by business in order to avoid the financial strain of price wars and slow-moving goods. He believes the outlook is for deflation rather than a rising price level, and in view of this and other circumstances, urges extreme caution in business inventory policy.

HOW TO SOFTEN THE TAX BLOW. *Business Week* (330 West 42 Street, New York, 18, N. Y.), July 14, 1951. There are often several completely legitimate ways to report the sale of your business—and choosing the proper one can mean the difference between paying a larger tax and a smaller one. Broadly speaking, there are three different sets of rules, depending on whether the business is a sole proprietorship, a partnership, or a corporation. This valuable article analyzes these rules, indicating ways to cut taxes down.

THEY ALSO FEED THE FIRES OF INFLATION. By Arthur W. Crawford. *Tax Review* (The Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y.) July, 1951. The author suggests that the credit restraints placed on private financing institutions should be applied to Federal loan, insurance and guarantee programs as a method of checking inflationary pressures. The magnitude of the programs of federal credit agencies—as illustrated by the fact that total new commitments are estimated at \$13,340 million for 1952 compared to \$11,967 million for 1950—is not generally realized.

Insurance Management

"HAZE PENETRATION": THE INSURANCE BUYER VIEWS SOME PROBLEMS

THE CORPORATE insurance administrator, like the pilot of a ship, receives signals as to danger ahead. Except by reducing speed, he can do little to protect his ship until the danger itself is visible through the mist. Some dangers confront him which cannot be overcome by caution or by turning aside.

Discussion with others in the insurance-buying profession indicates that industry and commerce are being forced into a mold which is held to be good for us, sufficient for us, or is based on a "We don't care whether you like it, here it is" attitude. Rates which have been adequate for the past 15 to 20 years, which have developed loss ratios never in excess of 50 per cent are now said to be inadequate. Rates are proposed which, considering the same incidence of loss, will develop 5 to 8 per cent loss ratios. Is this occurring because of the requirements of our regulatory laws, or is it possible that the regulatory laws are simply an excuse?

We buyers are not extremely disturbed by lack of market. We are not greatly handicapped by the present state of the multiple-line policy. We will not stop operating if we do not receive, now or in the immediate future, an essentially all-risk, all-property coverage. We need these technical advances, but we prefer evolution to revolution. We are not so beset by the devils of that which we would achieve, as by the devils of that which we achieved in the past.

In casualty insurance, a certain measure of relief has been granted in the ac-

ceptance, by most states, of the principle that the experience of all states can be consolidated for rating purposes. The effect of consolidating Workmen's Compensation and Public Liability experience is beneficial. It is unfortunate, however, that legislation is not uniform in this respect. The legislative failure cannot be laid at the feet of the insurance industry, but failure to use the maximum powers granted must be viewed as a very strong reflection. Certain corporate administrators are offering their entire lines for competition on an annual renewal basis, instead of having their insurance contracts written for the maximum possible term. They have found the latter arrangement increased their problems by removing them from competition except at the end of each multiple-year term. For some reason, insurance producers have not given too much consideration to the effect of such thinking upon their business. Obviously an account which is offered for annual competition will have a shorter tenancy in a producer's office than one offered for competition on a multiple-year basis. This means there will be more sharpshooting and less opportunity for the producer to prove his worth. That this will be detrimental, to the insured as well, goes without argument. The insurance company will have no certainty of continuity of association and, as a result, will not be willing to do its utmost to effect a betterment of the specific situation. Lack of forthright action by the underwriter will set into force a defensive mechanism on the part of the

corporate insurance administrator. As a result, the tenure of the insurance company will be reduced. As a further result, the insurance company, knowing that it will not necessarily have an opportunity to recoup unanticipated losses, will not be inclined to remove the excess water and will, of course, force its own passage from the picture.

I do not imply that, as a group, insurance companies are guilty of failing to make use of every tool to bring rates and coverage in line with experience. It seems that there are still the same three types of company which we have always known: The first insists on maintaining the status quo, fighting off with cries of "unfair competition" and "discrimination" every attempt toward progress. The second is comprised of liberal thinkers who believe that, without progress, we retrogress. Then there is the third type, which is trying frantically to better its position; they are inclined to gamble, since they have neither a true perspective nor broad experience.

—Excerpted from an address by RUSSELL B. GALLAGHER (Philco Corporation) at the Insurance Institute of the University of Nebraska, November 17, 1950.

It is not particularly difficult to determine which companies belong in each class. The first group will be found to have experienced an impressive though gradual growth over the past 15 years, and a study of its loss records will indicate substantially excessive reserves for claims (which overstatements sometimes cause these companies considerable trouble in their contingent commission contracts with some producers). The second group will have experienced a considerably faster growth, with little fluctuation between its first reported claims experience and its final report. The growth of the third group is phenomenal in certain periods and slow in others. Particularly during periods of depression you will find the latter group prospering, at least from the standpoint of greatly increased business. It is unfortunate for them, of course, that they suffer greatly when their production curve takes a downward swing because it is at this moment that their practice of under-reserving catches up with them.

Eligibility Requirements for Group Life

HOW LONG should an employee be on the payroll before he is eligible to participate in the company's group life insurance program? Usually the answer is that a worker is eligible for company group life benefits when he finishes his period of probation.

However, the trial time of the just-hired varies from company to company and may range from 30 days to as long as six months. The former is the prevailing practice, a recent personnel practice survey shows, followed, not too distantly, by 60, and then 90 days. The 30-day probation period dominates among small companies, where the intimate relationship that often exists between supervisors and employees enables a foreman to judge the capabilities of a new man very quickly. Larger firms frequently hold that the longer 60- or 90-day period is necessary. Their reasoning is very sound, for the foreman may not be able to give as close personal attention to the new employee as would be possible in a smaller firm.

Though the extension of the privilege to participate in group insurance benefits is usually reserved for the regular employee, there are companies that make it available to a person as soon as his name is entered on the payroll. There is, however, a slight trend in the direction of reducing eligibility requirements on group life.

—For the Informed Executive (The Associated Industries of Cleveland) 9/1/51

THE EXTENT OF UNDER-INSURANCE: A SURVEY

MANY AMERICAN industries are wide open to ruinous losses, H. G. Kemper, president of Lumbermen's Mutual Casualty Company, stated recently.

"We examined 100 good-sized companies in a typical American industry," he said, "and found 56 per cent were under-insured against fire. Only 2 per cent had up-to-date appraisals on the value of their plants."

Complete or even partial loss of a plant by fire or explosion can mean the destruction of a business in these days of inflation and shortage of materials, Mr. Kemper pointed out. "A plant valued at \$50,000 in 1938 may well be worth \$126,000 today," he estimated. "The time has gone when a plant can be rehabilitated in a matter of weeks. Machinery, equipment and supplies are now hard to obtain, and it often takes months to get a shop back into operation. Meanwhile, part of the payroll, taxes, interest, and other charges go on. And customers are lost."

Despite the soaring costs involved in being shut down, only 47 per cent of the companies surveyed had insurance against business interruption, Mr. Kemper said, and only 8 per cent had adequate protection. None of the companies renting plants under favorable leases had insurance against the loss of use of such property.

On the bright side, however, he saw a trend among some corporations to buy insurance which would protect them against shutdown of important suppliers. "A

company which depends for a vital element of production on one or two suppliers can quickly be shut down itself through disaster to the suppliers. Many supplier companies these days have all the customers they can handle. They are running now to capacity. This means that when a supplier is lost through fire it may be impossible to find a substitute."

The survey showed that 91 per cent of the plants carried steam boiler insurance, but only 9 per cent had adequate protection, Mr. Kemper said.

Furthermore, in 21 per cent of the plants there was duplication of coverage between fire and power plant policies, costing in some cases up to \$283 in needless premiums. "As for public liability insurance, only 10 per cent failed to carry it, but none had adequate property damage coverage," he said. "Six per cent carried adequate automobile bodily insurance and property damage insurance. There was no coverage in 32 per cent of the plants on money and securities within the premises, and 29 per cent had no insurance on these valuables outside the plant."

"The survey disclosed generally all along the line that industry has not taken due heed of the inflated value of goods and services," Mr. Kemper concluded. "Business men have been so busy fighting inflation in the obvious quarters they may not be aware of how badly it threatens them in an unsuspected quarter like fire. The only safeguard is a searching examination of all existing coverages."

—*The Eastern Underwriter*, August 17, 1951, p. 27:1.

DEPRECIATION is one element of cost for which there is generally no adequate reimbursement. The Department of Commerce has estimated that in the year 1949 alone, had depreciation been computed on reproduction cost, it would have amounted to \$3,900,000,000 more than the \$5,900,000,000 computed on original cost.

—*Clients' Service Bulletin* (American Appraisal Co.) 9/51

THE IDEAL INSURANCE AGENT: BUYERS' AND SELLERS' VIEWS

UNLESS AN INSURANCE AGENT knows what a client needs in the way of protection and persuasively recommends it, he is a bird-dog and an order-taker and ought not to talk about service of any kind, let alone professional service. This was the attitude of a group of buyers and agents who were recently asked to express their views on what constitutes the agent's "services."

The inquiry as to what, exactly, the service of an agent consists of elicited also this response: When dealing with the interests of other people, the agent can afford to provide only the best. Or, if he concentrates on what is best for the insured, everything else takes care of itself.

Actually, the services of an agent fall into two classifications—those that any business has to perform and which he must also perform, and those that are peculiarly his own. An example of the latter might be the service an agent renders in case of loss. At that time, the insured needs a clear delineation of what is and what is not covered. He wants someone at his elbow whom he knows and has confidence in—he does not want to come up against a complete stranger, the adjuster or claim man, without knowing anything about the ground he stands on.

One buyer expressed it this way: To one who has been in the buying end of the business for more than 20 years, the need for the services of an agent is self-evident. No buyer is sufficiently versed in all branches of insurance to be able to go his way alone.

There are three fundamental requirements for an agent—honesty, knowledge, and service.

The agent must sell his services both to the insured and insurer in a frank,

open manner, not concealing anything from either party. The misunderstanding which results when an agent attempts to conceal any part of the risk from the underwriter usually results in loss of business for the agent.

He must have thorough knowledge of his business and be able to evaluate the risk, make recommendations as to coverage, and present these to the underwriter in such a way that the latter realizes exactly what risk he is assuming. The agent must be able to develop tailor-made forms to fit each insured's particular needs and must make certain that all new coverages and improvements are incorporated in the coverages.

A good many agents lose business because they fail to service their accounts properly. Their interest seems to lie more in securing new business than in holding business they have on the books. The buyer is entitled to complete underwriting, loss, and engineering services; failure to perform any of them will usually lead to loss of the business.

One agent points out that some clients require certain services which others do not. Agents often find themselves acting as efficiency engineers, prescribing changes in layout and operations; as accountants, suggesting methods of keeping the books; as brokers in merchandise, putting buyer and seller together; as lawyers, recommending legal procedure; and as architects, recommending building specifications and even plans.

In event of loss, the agent must not only instruct the insured as to his obligations and the procedure, but must also put him in touch with various craftsmen to effect repairs, or with the police or adjusters, as the case may demand. Frequently, the agent will find himself doing most of the arranging.

The agent must keep himself fully informed of all changes and additions to coverages during the term of the policies, bonds, etc., with an eye to benefiting the client when the rules permit. Often there will be amount and location changes in the policy terms which necessi-

tate endorsements from which no commission is derived. If it is a business account, and whether or not the agent is the sole agent, he should provide a means by which the client can keep a comprehensive account of all of his insurance policies, coverages, expiration dates, costs, companies, agents, etc.

—*The National Underwriter*, September 6, 1951, p. 8:2.

Workmen's Compensation Underwriters Experiencing Losses

WORKMEN'S COMPENSATION has followed the trend of automobile and general liability insurance, and 70 per cent loss ratios for the first six months are not uncommon among the insurers that write a big chunk of this business. Losses on the Pacific Coast are said to be very heavy, with the result that some underwriters are reducing their volume in various ways. However, losses are even heavier in the metropolitan East, where some of the large writers report 90 per cent to 100 per cent loss ratios.

Companies report that the line began to prove unprofitable in 1950. Since benefits generally are governed by state law, most of the difficulty with workmen's compensation is in the increased number of workers who are being hurt. Undoubtedly, the pressure for production in war plants has tended to increase the number of workers injured.

Essentially, the situation has been produced by a continuation of the downward revision of rates across the point in time when losses turned the other way and began to climb. However, workmen's compensation underwriters predict that the rates will have to go up and go up sharply in practically all jurisdictions. Some already have, including New York, where they rose around 16 per cent in July. About half of this was for law changes and half for experience.

Other insurers report a somewhat different picture. They are not making money, but are close to the dividing line. Big payrolls have helped, and between California and New York, experience is not notably bad.

—*The National Underwriter* 8/30/51

MORE than 17,000,000 persons were insured for hospital expense under individual policies of private insurance companies at the end of 1950, according to an annual survey just completed by the Insurance Department of the U. S. Chamber of Commerce. This represents an increase of almost 3,000,000 or 20 per cent over the preceding year. The Chamber emphasized that these figures include only persons insured individually by private insurance companies and not those protected through Blue Cross and Blue Shield plans, Mutual Benefit associations, salary deduction plans, union group plans, and other means of voluntary coverage.

—*Insurance Advocate* 9/8/51

AMA FALL INSURANCE CONFERENCE

The Fall Insurance Conference of the American Management Association will be held on Thursday and Friday, November 15-16, at The Drake Hotel, Chicago.

More Women Now Receiving Old-Age Benefits

THE NUMBER OF WOMEN receiving old-age benefits more than doubled in 1950, owing to recent amendments to the Social Security Act. These amendments made workers in additional occupations, including household employment, eligible for benefits.

Women were 16 per cent of those receiving benefits in 1950 under the former provisions of the Act, and 28 per cent of those newly eligible under the 1950 amendments. Three-fourths of the women as compared to two-thirds of the men beneficiaries were aged 65 and under 70. New eligibles could not qualify if they had reached their 75th birthday before the last six months of 1950. Among those coming under the Act in 1950 before amendment, 11 per cent of the women and 17 per cent of the men were 75 or older.

The amendments also increased the average monthly benefits. For eligibles under the old basis, the monthly amount awarded under the 1950 amendments was \$40.44 for women, \$51.37 for men. This was an increase from the old basis of payment of 70 per cent for men and nearly 77 per cent for women.

—Facts on Women Workers (U. S. Dept. of Labor) 8/31/51

Also Recommended . . .

INVOLUNTARY CONVERSIONS. By Paul F. Icerman. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), September, 1951. The enterprising business man who immediately begins to rebuild his plant after a fire may cheat himself out of a tax benefit, according to the author, who urges that caution must be observed to avoid losing tax benefits connected with property losses. In order to meet the tests as to non-recognition of gain, the taxpayer must show that he used the proceeds received from insurance or condemnation award for the replacement of his property. It is recommended that the taxpayer establish a separate bank account to make sure that these funds can be traced.

METROPOLITAN EXTENDS CATASTROPHE COVER. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), July 14, 1951. Successful experience over the past three and a half years in insuring against hospital and surgical expenses has convinced President Taylor of Metropolitan Life that this is an area in which the insurance business can render a much needed public service. Under the new Metropolitan plan, insurance will be provided for maximum limits of from \$1,500 to \$5,000 over and above the benefits provided by the basic plan. The employee shares in the risk by assuming a portion of the expense.

DEDUCTIBLE FIRE COVER CALLED INDEFENSIBLE. *Journal of Commerce* (63 Park Row, New York 15, N. Y.), September 12, 1951. Advocates of deductible fire insurance have embarked on a mistaken crusade which is intel-

lectually suspect and morally indefensible, according to the views expressed by Arthur M. O'Connell at a new developments forum of the NAIA. He points out that a \$500 deductible would eliminate 70 per cent of all fire loss claims and a \$1,000 deductible would eliminate approximately 80 per cent of all claims, thus negating to a large extent the need for agents' services.

PURCHASE OF A SUBSIDIARY—ITS PENSION PROBLEMS. *The TPFOC Letter* (Towers, Perrin, Forster & Crosby, Inc., 12 South 12 Street, Philadelphia 7, Penna.), September, 1951. When a corporation with a funded pension plan contemplates buying a subsidiary, it becomes vitally important to measure the effect of the subsidiary's employees on the parent company's pension plan. This article discusses some of the problems and complications relating to the scale of benefits and the cost of pensions in the case of the new subsidiary without a pension plan and that with a funded pension plan.

COST OF WELFARE AND BENEFIT PROGRAMS. By Abner Brodie. *Employer Welfare and Benefit Programs: Research and Technical Report Seven* (Industrial Relations Center, University of Minnesota). The cost of social security and welfare programs is the product of a variety of factors and is affected by many elements which are discussed in this article. The author points out that the question of whether our economy will be able to afford security will depend upon its capacity to produce and maintain a high level of employment and economic activity.

Survey of Books for Executives

THE FILM BOOK FOR BUSINESS, EDUCATION AND INDUSTRY. By William H. Wilson and Kenneth B. Haas. Prentice-Hall, Inc., New York, 1950. 259 pages. \$4.65.

*Reviewed by Daniel Rochford**

Once upon a time at the end of World War II, there were a million bright young men who had learned a lot about making and using movies for the armed forces.

There were also a lot of rich, successful business executives who thought the movies were hot stuff.

So the bright young men went into the movie-making business. They cashed their war bonuses, dug up other capital. Then they went to work on the business man.

And the business man decided to make a movie.

Maybe it was a tribute to his company's war-effort. Maybe it was a "postwar look-ahead." Maybe it was the history of the company from its beginnings.

Sometimes the resulting film was a bit on the stuffy side. Too many shots of the big brass trying to look like Lowell Thomas. Sometimes it was a good film, free of pap, directed to a worthy goal.

But what happened? The Board of Directors had a preview. Then it was shown to the rest of management. Then the employees were paraded in for a peek. Then perhaps friends of management on the outside borrowed it to show to their managements.

And then what happened? The film went back into the can. And the can went onto the shelf. And there it was, and is.

And ever after that, when some other bright young movie-maker went to that business man to sell him a film, he was told, "We already have a film."

That explains, in part, why so many intelligent, able, and honest young movie-makers failed in the five years after VJ-Day. Had it

not been for the sudden blossoming of television, even more of today's competent, professional movie-making firms would also have disappeared.

Maybe you don't buy movies. Maybe you don't even use them. But you must have some interest or you wouldn't be reading this review.

Making the film is less than half the job. You'd know that. You'd surely know it if you read this book. Take our own case. If we make a \$25,000 short film for the employees of Jersey Standard and our domestic affiliates, we must also figure on the cost of showing the film to 60,000 employees. That means one hour off the job for each person, or an addition of \$120,000 to the original cost of \$25,000.

A film without a way of having people see it, is like an automobile without gasoline.

Whatever your job in management, films can undoubtedly help you do it better. This is true of sales, training, public relations, or employee relations.

If you are a manager, you get paid because you can get somebody to do something. Call it "communications." Call it "cooperation." Call it "productivity." Call it what you will, it's what you get paid for—to get into somebody else's mind and heart, so he will do what you want done. Movies can help you do that job better. But, like any other tool of management, you must use movies intelligently. This book helps you use movies intelligently.

This book is easy to read. It is clear. Its 259 pages are well-printed and have a lot of illustrations. The content divides into 19 sensible chapters covering film uses and techniques, from the planning of a film through its making and use. Equipment is pictured. There are samples of useful forms and layouts.

The Film Book gives you enough information to help tell you when not to believe your experts. You don't have to read it cover-to-cover. It is a reference book which can be consulted when problems arise. It is indexed and includes a glossary of terms used in film circles.

This review will not dwell on the value of this book to schools, colleges, and other non-

* Advisor, Management-Employee Communications, Standard Oil Company (New Jersey).

industrial audiences—though for them it is the answer to a longtime prayer. It has equal place in management's libraries.

No book covers everything. Had I written this book I should have added a chapter on magnetic recording. Most of us have used wire or tape recorders to make "home-made" sound-tracks for strip films or silent movies.

Magnetic sound tracks of movie films are an exciting new development. Both RCA and Bell & Howell have already demonstrated new movie projectors using film with magnetic sound tracks. Existing films can be coated with a substance. Then you can record talk, music, or any other sound directly on the film.

Thus the local manager could record an introduction for a film to be shown to his people. Or a foreign language can be put on quickly and inexpensively. You can wipe off the sound track and re-record as often as you wish.

Messrs. Wilson and Haas have covered nearly everything. And they have done it well. To the newcomer to films in management, their book is a money-saver and an aid to competence on his film assignments. To the old-timer in the field, it is rich with useful information and a stimulating refresher on things he should not have forgotten, but perhaps did.

THE HUMAN SIDE OF SELLING. By Robert E. Moore. Harper & Brothers, New York, 1951. 302 pages. \$3.95.

Reviewed by M. I. Schultz*

After I had read *The Human Side of Selling*, I felt impelled to write the author: "I am confident that you will once again receive a highly favorable reaction from many of the best management brains in the country." (Mr. Moore's last book, *Man Alive*, proved to be of substantial aid to thousands of individuals interested in selling.) I made this statement because this new book can not only be interesting to management, but can prove quite helpful to its personnel relations and customer relations programs.

This work emphasizes the importance of "the human side" of the distribution and sell-

* Executive Vice President, Willmark Research Corporation.

ing process. Its three main sections, which reveal the nature of the subject matter, are: "Customers Are Human Begins"; "Salesmen Are Human, Too—What to Do About It"; and "Even the Boss Is Human."

Customers' attitudes towards salespeople—and salespeople's attitudes towards customers—obviously influence the success of any sales force, at the retail, wholesale, or manufacturers' level. The first section, therefore shows salesmen how to sell the customer the way the customer wants to be sold.

The second section invites salespeople to examine their own selling ability and encourages them to improve themselves. The chapter entitled "How a Salesman Is Born" will be especially thought-provoking for salespeople—and for executives as well. It's good for all of us to compare the men we are today with the eager youngsters we were and see how much of our early qualities we still have.

There is hardly a man or woman in a management position who will not be glad to read the section in which Mr. Moore shows salespeople that "Even the Boss Is Human." In five persuasive chapters, Mr. Moore convinces the reader that his employer is every bit as interested in a salesperson's success as the salesperson is himself. The chapter entitled "Loyalty Is the Badge of a Noble Man" shows the salesman that loyalty to his employer and his firm "has a definite dollar-and-cents value to the salesman big enough to know it."

Addressing himself to the employer, Mr. Moore cites the report of a research study of sales manpower turnover appearing in the July 1st issue of *Sales Management*, which showed that "While we have talked and fretted about economic security . . . salespeople have sought psychological security—the feeling that the boss was on their side, knowing and sympathizing with their problems . . ." And the most desirable salespeople changed jobs seeking psychological security. The employer-salesman relations chapters of this new book will help management promote that "psychological security" needed by salespeople to represent a firm enthusiastically.

Finally, Mr. Moore shows salespeople the value of selling "the American Way of Life,"

pointing out how they can take part in civic affairs and make their communities proud of them. He concludes the book on a high spiritual note in a chapter entitled "The Radar of Human Relations." Few salespeople will be inclined to ignore "the human side" of the selling process after reading that chapter.

The volume is illustrated with forty delightfully humorous cartoons, which leave the reader with a smile after each chapter. It is alive with anecdotes about star salesmen and women and well-known top management men. As Mr. C. T. Burg, President of Iron Fireman Manufacturing Co., says: "*The Human Side of Selling* is chock-full of incidents and actual experiences of this nation's top executives . . . the book can be most helpful and inspiring to anyone who reads it."

It is my strong belief that many an executive will decide that *The Human Side of Selling* will not only give his sales organization a valuable mental and spiritual lift but also will prove a profitable aid to his company's customer-relations and employer-salesman relations programs.

COLLECTIVE BARGAINING PRINCIPLES AND PRACTICES. By C. Wilson Randle. Houghton Mifflin Company, New York, 1951. 740 pages. \$6.00.

Reviewed by William J. MacReynolds*

For purposes of this study, the author has adopted a broad but realistic definition of collective bargaining, which includes not only the negotiation of a labor agreement, but also the grievance procedure, other forms of dispute settlement such as conciliation and arbitration, and such economic sanctions as the strike and the lockout. A discussion of the economic sanctions, however, has been purposely omitted from this book on the basis that they have been adequately treated in many other studies.

This work has four principal divisions which arrange the subject matter in logical sequence. In the first section, the author presents a background for the subject by giving a brief

history of the labor movement in the United States and a résumé of the evolution and present status of the law of collective bargaining. The experienced negotiator will find nothing new in this section, though it is a satisfactory review of the subject and serves as suitable background for a discussion of the principles and practices of collective bargaining.

Part Two deals with what is called the "structure of collective bargaining." Here such subjects as the scope, preparation for, and conduct of negotiations are discussed. This is the section that will be of most interest to the experienced labor relations executive, for here the author comes to grips with his subject. Though the experienced negotiator will not be in agreement with many of the ideas set forth by the author and will feel that a lot more could have been said on this subject, he will find it profitable to review this part of the book in order to stimulate his own thinking and see a dynamic intangible subject described in a clear, orderly, and concrete manner. As written, this section is worth the time it takes the experienced negotiator to read it. Had the author given it more critical and exhaustive treatment, however, it would have been absolutely essential reading for all management and union personnel who work in the field of collective bargaining. It is hoped that the author will later see fit to expand this section to book-length form.

The issues of collective bargaining are presented in the third part of the volume. This is the largest section and describes in considerable detail such issues as wages, hours, pensions, union security, seniority, grievances, dispute settlement, and related matters. The college student will obtain more new information from this section than will the experienced labor relations executive. For the latter, it will serve as a refresher.

The book ends where parties to collective bargaining end their efforts—with the completed labor agreement. Various broad types of contracts, the function of the contract, its implications for labor-management relations, and contract administration are discussed in the final section.

Throughout this study, clauses from actual contracts have been used by the author to illustrate the subjects being discussed. These,

* Vice President—Industrial Relations, Philadelphia Transportation Company.

together with appendices consisting of such material as a glossary of labor terms, sample labor agreements, and a sample arbitration award, give a practical slant to the subject

matter. The author's hope that this book will "aid management and labor as well as serve as a text for college instruction" should be substantially realized.

Briefer Book Notes

(Please order books directly from publishers)

TIMESTUDY FUNDAMENTALS FOR FOREMEN. By Phil Carroll. McGraw-Hill Book Company, Inc., New York, 1951. Revised second edition. 209 pages. \$3.00. This revised second edition of Mr. Carroll's well-known work has been brought up to date in line with the latest thinking and advances in the field. Contains additional illustrations and charts to help in setting up standards, emphasizing the boiling down of timestudy results to a working system of standard data.

FILM GUIDE ON PRODUCTION AND MANAGEMENT METHODS. *Staff Service Bulletin No. 15.* Edited by Sidney J. Pollack. Film Research Associates, 135 West 52nd Street, New York 19, N. Y., 1951. 26 pages. \$1.50. Furnishes details on more than 150 films from 61 indicated sources and contains a discussion of audio-visual methods by Louis S. Goodman.

THE HANDBOOK OF INDUSTRIAL RELATIONS. Edited by John Cameron Aspley and Eugene Whitmore. The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Ill., 1950. Third revised edition. 1244 pages. \$10.00. A revised edition of a basic manual of personnel administration and labor relations techniques.

STATISTICAL METHODOLOGY REVIEWS 1941-1950. Edited by Oscar Krisen Buros. John Wiley & Sons, Inc., New York, 1951. 457 pages. \$7.00. Contains capsule summaries and evaluations of every significant book published in the field of statistical methodology during the past 10 years.

CIVIL DEFENSE IN INDUSTRY AND INSTITUTIONS. Federal Civil Defense Administration. Available from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., 1951. 60 pages. 25 cents. Presents recommendations for organizing and administering a civil defense self-protection program for the nation's industrial plants and other institutions.

PURCHASING: Principles and Applications. By Stuart F. Heinritz. Prentice-Hall, Inc., New York, 1951. Second revised edition. 689 pages. \$7.35. Among the new chapters in the revised edition of this excellent work are: Value Analysis, Buying the Right Quantity, Purchase of Capital Equipment, and Purchasing Department Manuals. Expanded topics include: Quality Control, Inventory Control, Determining Best Ordering Quantity, and Purchasing Research.

NOTE: Since publication in the August issue of the REVIEW of a brief note on *Labor Fact Book 10*, it has been brought to our attention that Labor Research Association, which compiled this work, was cited as a subversive organization by Attorney General Tom Clark on December 4, 1947. Readers may find this information helpful in evaluating this book.—ED.

Ten COMMANDMENTS OF GOOD ORGANIZATION

There are two kinds of efficiency: one kind is only apparent and is produced in organizations through the exercise of mere discipline. This is but a simulation of the second, or true, efficiency which springs, as Woodrow Wilson said, from "the spontaneous cooperation of a free people." If you are a manager, no matter how great or small your responsibility, it is your job, in the final analysis, to create and develop this voluntary cooperation among the people whom you supervise. For, no matter how powerful a combination of money, machines and materials a company may have, this is a dead and sterile thing without a team of willing, thinking and articulate people to guide it.

- 1 Definite and clean-cut responsibilities should be assigned to each executive.
- 2 Responsibility should always be coupled with corresponding authority.
- 3 No change should be made in the scope or responsibilities of a position without a definite understanding to that effect on the part of all persons concerned.
- 4 No executive or employee, occupying a single position in the organization, should be subject to definite orders from more than one source.
- 5 Orders should never be given to subordinates over the head of a responsible executive. Rather than do this the officer in question should be supplanted.
- 6 Criticisms of subordinates should, whenever possible, be made privately, and in no case should a subordinate be criticized in the presence of executives or employees of equal or lower rank.
- 7 No dispute or difference between executives or employees as to authority or responsibilities should be considered too trivial for prompt and careful adjudication.
- 8 Promotions, wage changes, and disciplinary action should always be approved by the executive immediately superior to the one directly responsible.
- 9 No executive or employee should ever be required, or expected, to be at the same time an assistant to, and critic of, another.
- 10 Any executive whose work is subject to regular inspection should, whenever practicable, be given the assistance and facilities necessary to enable him to maintain an independent check of the quality of his work.

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